

FINANCIAL TIMES

LUMB ENTER... WOISEL... nenu



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World Business Newspaper <http://www.ft.com>

TUESDAY SEPTEMBER 3 1996

US seeks backing for tough action against Saddam

Arab leaders warned against western military action in Iraq as US officials toured the Middle East... **Compromise likely in VW dispute**



Both sides in the dispute over the payment of state aid to Volkswagen in eastern Germany appeared ready to compromise...

Aid for German beef farmers: Germany's efforts to meet the criteria for the European single currency suffered a setback when the government extended a tax benefit for farmers hit by falls in beef prices...

Rever chief warned on turnaround: New Rover chief executive Walter Hasselkus was warned that it could take several years to turn round the loss-making UK subsidiary of BMW...

Tax fears at Spanish tobacco groups: Spain's state-controlled tobacco group Tabacalera said results in the second half may suffer as a result of higher cigarette taxes...

Milosevic settles with Albanians: Serbian president Slobodan Milosevic reached agreement with ethnic Albanians in the Serbian province of Kosovo to end the six-year Albanian boycott of schools...

Italy's power sell-off delayed: Italy's public accounts watchdog said uncertainty over tariffs meant a delay in privatising ENEL, the state electricity corporation...

AEA flotation costs to exceed £100m: Restructuring to make UK state-owned engineering and science group AEA Technology attractive to investors will have cost the government more than half the £200m (£812m) it hopes to raise from the company's flotation...

Business opposes Labour's trade plans: Britain's opposition Labour party is on a collision course with business organisations over its call for the introduction of a "social clause" in all international trade agreements...

US aviation union urges block on BA: The largest US aviation workers' union, representing 110,000 workers, wrote to President Clinton urging him to block the planned alliance between American Airlines and British Airways...

Japan warns on Hong Kong's future: Japan warned that its companies, among the top investors in Hong Kong, might be reluctant to stay if the territory's free market system and rule of law are jeopardised after next June's handover to China...

Lebanese elections bring claims: Representatives of Rafik al Hariri, Lebanon's billionaire prime minister, were accused of bribing voters in parliamentary elections in Beirut in which he and his supporters won 14 of the 19 seats...

Row delays naming of Chile bank chief: Confirmation of a director of Chile's central bank has been delayed by a dispute between the government and opposition over the autonomy of bank directors...

Malta drugs route sparks: Two large drug seizures raised fears in Malta that the island is being targeted by smugglers as an alternative route from Asia into Europe...

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STOCK MARKET INDICES, GOLD, STERLING, LONDON MONEY, NORTH SEA OIL

THE NEW YORK MARKETS WERE CLOSED YESTERDAY

Fresh charges of BSE cover-up

By Caroline Southey in Brussels

Fresh allegations have emerged that the European Commission tried to cover up the dangers of mad cow disease to public health in the early 1990s...

Leaked letters add impetus to inquiry on Brussels' handling of mad cow disease

Charges of a Brussels cover-up. Last month a leaked internal Commission memorandum claimed that the European Union's standing veterinary committee concluded in 1990 that it was "necessary to minimise the BSE effect by using disinfection"...

needed to be prudent and avoid the discussion getting into the scientific committees. Mr Legras added. Mr René Staichen, then agriculture commissioner, is quoted as warning that a "new public debate about the problem of BSE would be dangerous. Every new discussion has a dramatic effect on the consumption of meat in the whole of the EU"...

The Commission has not denied the authenticity of the letters. The correspondence centres on a request from Mr Ricardo Ferrasch, then head of the Commission's single market division, for a joint investigation into the risks of a link between BSE and human brain disease. Mr Legras responded that in his experience "all discussions on BSE inevitably cause problems in the beef market"...

Lufthansa is probed following overpricing allegations

By Wolfgang Münch in Frankfurt

Germany's Federal Cartel Office has opened an inquiry into Lufthansa, the airline, for allegedly overcharging customers on the Frankfurt-Berlin route, one of the country's busiest...

The investigation was triggered by strong differences in the prices charged by Lufthansa for comparable routes. Lufthansa yesterday confirmed the investigation was taking place, but refused to comment any further...

Lufthansa has been facing intense competition on several domestic routes but its competitors have not been able to obtain slots at Frankfurt airport, continental Europe's busiest hub...

At Frankfurt, the airline operates 16 flights to Berlin daily. It charges DM800 (£640) for a return business class ticket from Frankfurt to Berlin. An economy class ticket costs DM620.

In Düsseldorf and Munich, where Lufthansa competes with Deutsche BA, a subsidiary of British Airways, prices are lower even though the distances to Berlin are similar. At either of these airports, a Lufthansa business class return ticket to Berlin costs DM840, while an economy ticket costs DM620.

The prices are similar to those charged by Deutsche BA on these routes. Mr Jürgen Pieper, airline analyst at Deutsche Morgan Grenfell, said: "Lufthansa is facing tough competition on some of its domestic routes and appears to be compensating in Frankfurt. I am not sure whether the price increase will prevail, but if it does it could affect Lufthansa's after-tax earnings by a noticeable margin."

A spokeswoman for the Federal Cartel Office in Berlin said the investigation was triggered by complaints from passengers. The investigation could last for several months and might force the airline to set a lower price. Lufthansa, however, could challenge such a ruling in court.

For Lufthansa, the cartel office investigation comes at a time of falling profit margins elsewhere. The company last week announced a 57 per cent drop in pre-tax profits for the first six months of the year, blaming price cuts from some of its rivals for the fall in margins and prices.



Philippines plans \$2bn bond issue to reduce Brady debt

By Edward Luce in Manila and Corwin Schmiedeman and Richard Lapper in London

The Philippines is to issue almost \$2bn in eurobonds in exchange for Brady debt, issued nearly four years ago to replace distressed commercial bank loans. The deal came as the Philippine government signed a peace agreement with Muslim guerrillas. It follows a similar transaction in Mexico earlier this year and reflects increasing confidence of international investors in debt issued by borrowers in the emerging markets of Latin America, Asia and eastern Europe.

Brady bonds are backed by US Treasury bonds, limiting investors' exposure to the risks of default. The new bonds are not backed by collateral and will give greater exposure to Philippine country risk. Bond holders accepting the exchange will benefit by obtaining a higher yield on their investments.

The attraction of the Philippines to investors was underlined this weekend by figures showing the country is on course to become the fastest growing economy in Asia - with gross national product rising by 7.1 per cent in the first six months of 1996 compared with 5.8 per cent in 1995. Yesterday's agreement with the guerrillas and falling inflation - which dropped into single figures last month - should also buoy confidence in the deal. Mr Roberto de Ocampo, Phil-

ippines secretary of state for finance, said the transaction would help shed the country's outdated image as a "receding" country. "All these initiatives distance us from the era of debt restructuring," he said. The issue is expected to extend the maturities and reduce the cost of servicing its \$40bn external debt. It follows the country's return to the Japanese bond market earlier this year when it retired expensive yen-denominated debt. Debt servicing costs now stand at about 15 per cent of export revenues compared with 20 per cent in 1993.

End for Brads Page 22

J.P. Morgan, the US bank which led-managed the first eurobond issued by the Philippines since the debt crisis in 1993 (and arranged its first syndicated loan last year), will lead the deal, it said. The transaction reflected the country's improved economic fundamentals. It added that the deal made "credit enhancements such as collateral less important in the eyes of investors". It will also set a long-term benchmark against which Philippine government and private sector debt can be priced. Secondary prices of Philippine par bonds were yesterday trading marginally up on last week. The new debt will be issued in the form of floating-rate notes with a 15-year maturity and 20-year fixed-rate bonds.

Ukrainians adopt new currency

An elderly woman holds her pension in hryvna, Ukraine's new currency, at the central post office in Kiev. The hryvna went into circulation for the first time yesterday, replacing the karbovanets - Ukrainian for coupon - an interim currency introduced in 1992. Apart from some small-scale profiteering, yesterday's launch was relatively incident-free as Ukrainians queued outside banks to change their old coupons for hryvna. But prices in food markets across the country rose 10 per cent in anticipation of the currency switch. Report, Page 14. Picture AP

Advertisement for Vacheron Constantin watches. Includes text: "WITH A MASTER'S TOUCH AND THE TEST OF TIME", "VACHERON CONSTANTIN", "The world's oldest watch manufacturer. Created since 1755".

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Chile bank posting held up by party row

By Elizabeth Lowe in Santiago

Confirmation of a director of Chile's central bank has been held up by a dispute between the government and opposition over the autonomy of bank directors.

President Eduardo Frei chose Mr Carlos Massad, a former health minister, to be a director of the central bank in July following the resignation of Mr Roberto Zaldívar, the bank president.

Mr Massad, a member of the ruling Christian Democratic party, is an experienced economist who served as president of the Central Bank during 1964-1970, and had been considered a strong candidate for post again.

Last week senators from the centre right National Renovation party joined other rightwingers to defeat Mr Massad's candidacy by 21 to 20 votes.

They argued that four of the five bank directors from the centre right National Renovation party joined other rightwingers to defeat Mr Massad's candidacy by 21 to 20 votes.

When Mr Frei resubmitted Mr Massad's candidacy, the request was successfully deflected by opposition senators to the Senate's Constitution, Legislation and Justice Commission.

Opposition senators said it was not Mr Massad himself they objected to but rather the government's lack of consultation with members of other parties on alternative candidates.

Observers fear the latest dispute might pave the way for a more political way of handling macro-economic matters.

Peru's power-link keeps to shadows

Sally Bowen on the military and intelligence services and fears of drug corruption

A combination of events in Peru over the past fortnight has revived suspicions about the relationship of the military and intelligence services to the civilian government and the corrupting influence of the still-flourishing narcotics trade.

In an increasingly macabre series of courtroom appearances, the self-confessed cocaine baron Mr Demetrio Chavez Padaherrera - better known as "Vaticano" - alleged he paid chief presidential adviser Mr Vladimiro Montesinos \$50,000 a month throughout 1991 in return for army protection to run cocaine out of his illicit airstrip in Peru's Huacapistán valley drugs heartland.

Following a weekend in which Peru's highest-ranking military, police and government officials leapt to Mr Montesinos' defence, rejecting the allegations as absurd and unworthy of investigation, a confused and stammering Vaticano retracted.

Simultaneously, a surprise draft law was laid before congress "interpreting" the 1993 constitution so as to permit President Fujimori - already in office since 1990 and having changed the constitution to allow him a second term - to run for a third five-year term in the year 2000.



Fujimori defends Montesinos

For some observers this again raised the spectre of the "Green Book", a civilian-military pact to rule Peru for a full 15 to 20 years. The so-called "national project" was hatched by the top military in the late-1980s from a conviction that political parties were incapable of governing in the best interests of the nation. At that time, after a decade of democratic rule, inflation had spiralled out of control, Peru had been cut off from all international sources of financing, the economy was becoming heavily cocaine-dependent and the Sendero Luminoso guerrilla movement controlled large swathes of the country.

Last week retired General Salinas Sado - who was jailed for plotting a coup in

November 1992 after Mr Fujimori had suspended the constitution - reminded Peruvians of the "Green Book" plan. He claims to have been offered the job of defence minister in 1991, "but it involved staying in power for 20 years". He declined.

The long-term cabinet post offer, says Gen Salinas, came directly from Mr Vladimiro Montesinos, the same close adviser so publicly accused by Vaticano.

Mr Montesinos is increasingly seen as the greatest remaining enigma - some say stigma - in a country which has, by and large, pulled itself up by the bootstraps to establish international respectability. He is the effective - though not the titular - head of the national intelligence service (SIN, in its ironic Spanish initials), which is a much more professional and well funded organisation since Mr Fujimori came to power.

Mr Montesinos never appears in public; his name features on no official payroll. Only a handful of photos of him exist. Though he is constantly on call in the government palace, none of President Fujimori's cabinet ministers admits to seeing, let alone knowing him.

When pressed to define Mr Montesinos' role, President Fujimori tends to react with irritation. At first, he

described Mr Montesinos as his personal lawyer. More recently President Fujimori has been obliged to admit that his "lawyer" is a senior intelligence official whom he calls the architect of the "victory" over Sendero Luminoso.

Mr Montesinos' known links with the CIA date from 1976 when, as an army captain, he was charged with passing confidential information to the Americans (Peru's then ruling military junta was pro-Russian) and cashed.

After a year in prison, the disgraced army captain-turned-lawyer made his living defending drug traffickers. In 1988, he joined the SIN and disappeared from public view. Control of information (he is said to hold incriminating files on all Peru's power-brokers) became Mr Montesinos' chief source of influence.

It seems Mr Montesinos first met Mr Fujimori during the 1990 presidential campaign, winning the future head of state's gratitude for helping him quash tax evasion allegations. He soon became the trusted link-man between Mr Fujimori and the armed forces and is credited with controlling promotions. Over the years, Mr Mon-

tesinos' notorious non-accountability has run parallel to the continuing impunity enjoyed by Peru's armed forces in the areas of human rights violations and drug-trafficking.

The precise nature of the triangular relationship between Peru's executive branch, the still-powerful military and the much-strengthened SIN is hard to fathom.

At the very least, it seems certain that an official blind eye has been turned for some years to involvement at many levels with the cocaine trafficking business while the fight against terrorism took precedence. Peru still supplies the raw material for 60 per cent of the world's cocaine and most of it is produced in areas of Peru, which, because of subversion, have been and still are directly under army control.

In a Sunday night television interview, President Fujimori reiterated his emphatic support and admiration for both General Herminio Ríos, head of the armed forces and for Mr Montesinos. He refused, he said, "to permit drugs trafficking to infiltrate the Peruvian state".

Many Peruvians are, however, increasingly convinced that the infiltration has already happened.

AMERICAN NEWS DIGEST

Clinton urged to stop air deal

The largest US aviation workers' union has written to President Bill Clinton urging him to block the planned alliance between American Airlines and British Airways.

The International Association of Machinists and Aerospace Workers, representing 110,000 mechanics, flight attendants and clerical workers, said the alliance "will effectively destroy competition for crucially important transatlantic business and, as a result, we believe it will be our members who will suffer".

American and BA announced in June they planned to co-ordinate schedules and share revenues from transatlantic flights. The union said: "The alliance is, in fact, a monopolistic merger by another name." It said the alliance would link the two biggest airlines flying on the UK-US routes.

"We know this Administration cares about jobs," it added. "Approval of this merger will put thousands of US jobs that pay a living wage in jeopardy. While we have heard much about international trade, open skies negotiations and corporate competitiveness, the impact on our citizens should be given priority." Michael Skapinker, Aerospace Correspondent

Court takes Quebec role

A Quebec City lawyer, Mr Guy Bertrand, has won court approval to press ahead with his challenge to the separatist government of Quebec's threat to declare independence unilaterally. Mr Justice Robert Pigeon of a Quebec Superior Court ruled there was no clear evidence the courts must be silent in political debates and Mr Bertrand could proceed with his action.

The judgment was immediately welcomed by Mr Allan Rock, federal justice minister. "The ruling establishes for the first time the principle that the courts must have a say in the sovereignty process," he said. No secession is possible without formal amendment of the Canadian constitution, requiring assent from Ottawa and the other nine provinces, he added. But Mr Paul Bégin, Quebec justice minister, reiterated the position of the ruling separatist Parti Québécois government. "The ruling is far from rejecting that only Quebecers themselves have the right to decide their future," he said.

Mr Bertrand began his fight against the PQ's strategy for a unilateral declaration of independence after last year's Quebec referendum. He argues that such a declaration would deprive him of his constitutional rights. Robert Gibbens, Montreal

Hopes for Ecuador-Peru talks

President Alberto Fujimori of Peru will meet his new Ecuadorian counterpart, Mr Abdala Bucaram, today for the first time and diplomats will be watching closely for signs of a rapprochement following a border conflict in February 1995 that left dozens dead on either side.

The disputed area in the remote, high jungle frontier known as the Cordillera del Condor is now a demilitarised zone monitored by a mission of military observers from the US, Brazil, Chile and Argentina. Partly because of the change of government in Ecuador, little progress has so far been made in finding a lasting solution.

The informal meeting, during the four-day Rio Group summit in the Bolivian city of Cochabamba, is unlikely to produce any immediately tangible advance in bilateral relations. Both heads of state must appease their influential armed forces. Sally Bowen, Lima

END OF ERA AS COLOMBIA DRUG BARON SURRENDERS

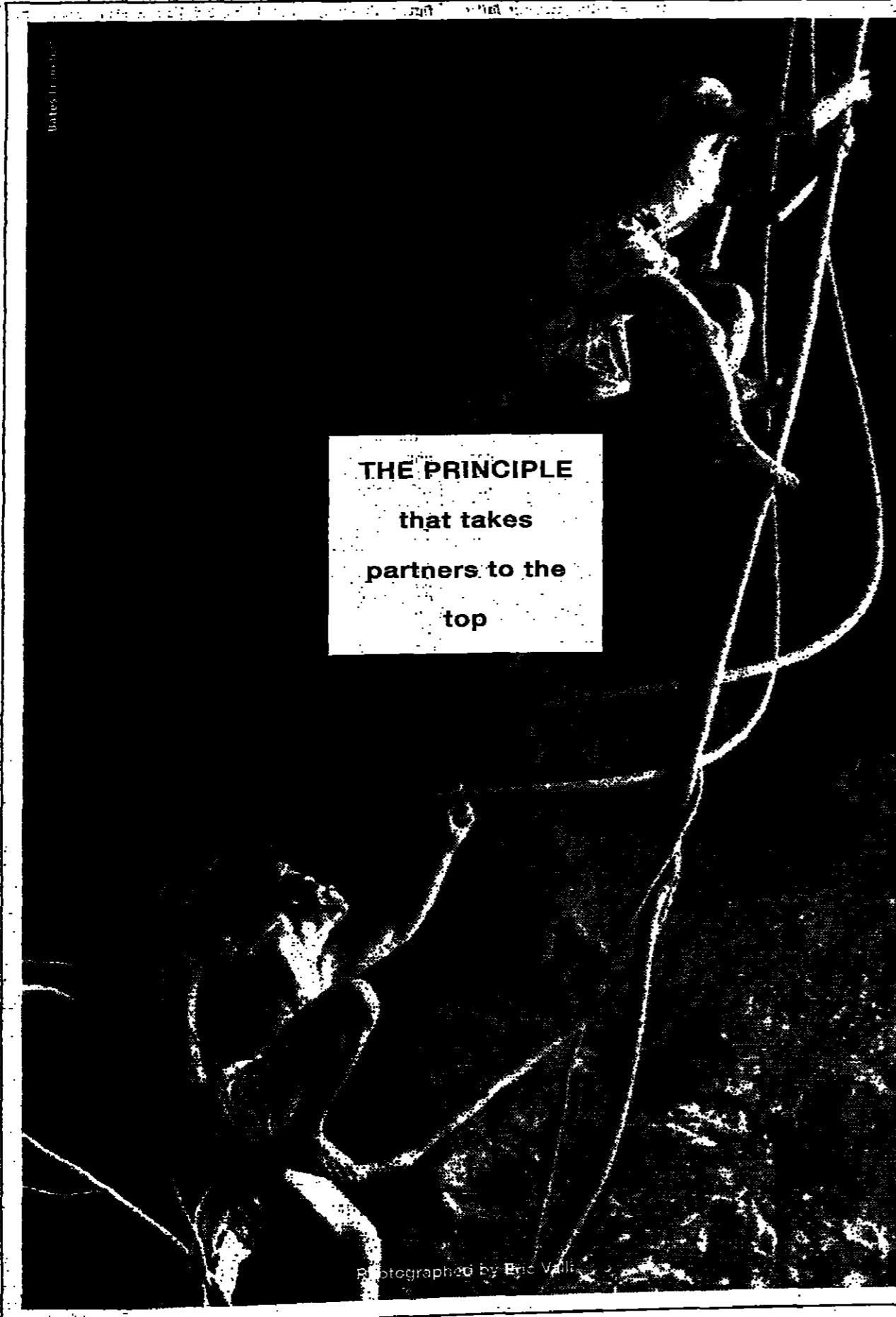
The last of the seven most wanted leaders of Colombia's Cali drugs cartel has surrendered to police after a 16-month manhunt. Timothy Ross reports from Bogotá. Mr Helmer "Facho" Herrera, a master of disguises who had escaped more than 400 raids on his hiding places since the middle of last year, is pictured (right) arriving to give himself up at a church near Cali. He arranged his surrender through his lawyers to the National Police commander, General Rosso Serrano.

Mr Herrera, 44, is believed to be number three in the hierarchy of the cartel, and faces charges of cocaine trafficking and money laundering, as well as investigations for alleged involvement in several mur-

ders. His extradition has been sought by the US, where he has a long criminal record. Over 20 years of involvement in drugs is reported to have given him a fortune of about \$3bn.

Gen Serrano said the surrender marked "the end of the life cycle of the Cali cartel" and President Ernesto Samper called Mr Herrera "the last of the cartel leaders". The other six leaders have all been captured or killed this year. US narcotics experts, however, say that the amounts of cocaine and heroin produced in Colombia are still growing and that the most visible crime leaders are already being replaced by less ostentatious traffickers.

Picture by Reuters



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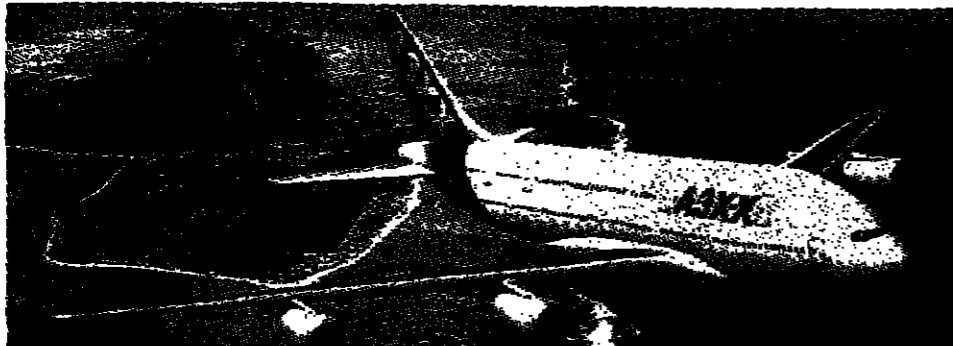
Head office: DG BANK, D-60285 Frankfurt am Main, Germany. Offices in: Amsterdam, Atlanta, Bombay, Hong Kong, London, Luxembourg, Madrid, Milan, Moscow, New York, Paris, Rio de Janeiro, Shanghai, Tokyo, Warsaw, Zurich.

NEWS: WORLD TRADE

THE FARNBOROUGH AIR SHOW

Boeing warns on super jumbo costs

By Michael Stappink In Farnborough Boeing of the US said yesterday the cost of developing a 550-seat "super jumbo" would be more than twice as much as analysts' estimates and claimed it would be "financial suicide" for Airbus Industrie...



A model of the planned Airbus 3XX. Boeing says it would be 'financial suicide'.

US group reinforces lead over rival Airbus

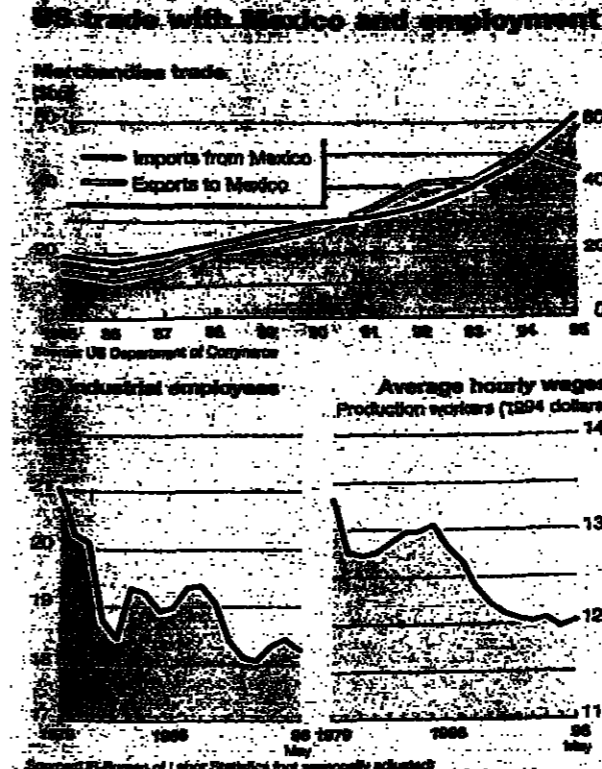
By Michael Stappink The delivery date on an additional 10 747-400s, which it had already ordered, BA is one of Boeing's most important customers and is talking to the US manufacturer about the possible purchase of its planned 550-seat Boeing 747-500X...

When the tortuous negotiations over the North American Free Trade Agreement were being fought out, opponents of the trade pact in the US Congress who feared the effects of cheap Mexican labour and lax pollution laws were placated with two "side agreements"...

Mexican job laws under spotlight Side pact may lack teeth but it has given labour practices an airing before the media

Sixteen months after the North American Free Trade Agreement came into effect, 250 Mexicans, mostly women, were attacked by police during a union sit-down demonstration. The suppression of independent union activity is not rare in Mexico...

They were told to go to one side or another to vote for the official or independent candidates. Company representatives stood by filming the vote with camcorders. "We were deceived. We were insulted, threatened," one worker testified.



freedom to organise and bargain collectively. Apart from the Sony case, four others have been filed - so far characterised by company representatives who sent written statements instead of attending...

Making the most of moral power Environment body is concentrating on averting disputes rather than resolving them

North America's political landscape has changed markedly since trade negotiators from the US, Canada and Mexico hammered out the North American Free Trade Agreement in 1993. At that time, the US Congress made the environment pact and a companion "side accord" on labour standards a condition for ratification...

implementing the side accord, has had its wings clipped by shifting political priorities. Including the tighter fiscal discipline that now prevails in all three countries. Nonetheless, Mr Victor Lichteninger, CEC's Mexican executive director, says: "We're beginning to demonstrate that it has very concrete benefits."

under Article 14 of the side accord. Under this the CEC can investigate complaints against a NAFTA government for "failing to effectively enforce" domestic environmental laws. The study stems from protests by Mexican environmental groups against the construction of a 500-metre cruise ship terminal at Cozumel...

mostly brought by the private sector. Even then, the process is so tortuous that the likelihood of any sanctions being imposed on a government is small. The CEC, aware of its limitations, has so far devoted only about a quarter of its resources to dispute resolution...

moral authority most effectively under Article 13 of the side accord, which gives it a measure of latitude to initiate reports and recommendations. One Article 13 report has been completed so far. A nine-member tripartite panel studied the deaths from suspected botulism of up to 40,000 ducks at a reservoir in the central Mexican state of Guanajuato in 1995...

Advertisement for Debonair flights. Features a large price tag for Munich from £49 and lists other destinations like Dusseldorf, Barcelona, Newcastle, Madrid, and Copenhagen. Includes the Debonair logo and contact information.

Japan warns on Hong Kong investments By William Dawkins in Tokyo Japan has warned that its companies, among the top investors in Hong Kong, might be reluctant to stay there if Hong Kong's free market system and rule of law is jeopardised after next June's handover to China. Mr Yukihiko Ikeda, the Japanese foreign minister on a visit to Hong Kong last week, made public the Tokyo government's anxieties about the future of Japanese interests in Hong Kong. Yesterday Britain's foreign secretary sought to calm Japanese fears. Mr Malcolm Rifkind, on a visit to Tokyo, promised that ties between the UK and Hong Kong would remain strong and expressed "a considerable degree of optimism" over the colony's future. Mr Ikeda, according to Japanese foreign ministry officials, told Mrs Anson Chan, Hong Kong's chief secretary, of "great concern" over whether the territory could play the same financial and trading role after it was returned to China. He called for the maintenance of a free market capitalist economy and legal system and hoped that the Chinese policy of "one country, two systems" could be carried out. Japanese companies would stay there if the system was kept intact. Japan has substantial interests in Hong Kong, used by its general trading and manufacturing companies as a staging post and assembly base for exports to the fast-developing regions of southern China and elsewhere in east Asia. By the end of 1994, total Japanese manufacturing investment in the colony had reached US\$12.75bn, up 30 per cent since the turn of the decade, making Japan the second largest investor in Hong Kong after China, according to the Tokyo finance ministry. At the same time, Hong Kong contains almost 20 per cent of all Japanese manufacturing investment in Asia, the second largest Japanese investment destination in the region after Indonesia. In terms of the annual flow of new investment to Hong Kong, Japan was the biggest spender there in each of the four years to 1994.

Table titled 'INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT'. Contains data for US, Japan, Germany, France, Italy, and UK. Columns include Retail sales volume, Industrial production, Unemployment rate, and Composite leading indicator. Data is presented for various years from 1985 to 1995, with quarterly and annual figures.

مكتبة الاموال

Iraq sales delay lifts oil prices

By Robert Corzine

Oil prices rose sharply yesterday after the United Nations shelved plans to allow Iraq to export 200m of oil every six months to pay for food and medicines.

The price of the benchmark Brent Blend for delivery in October rose by a dollar at one stage, reaching a high for the day of \$22 in late trading before slipping back to close at \$21.99, up \$1.27 on Friday's close.

Traders said uncertainty over the timing of Iraqi crude exports, which had been expected later this month, should underpin oil prices, at least in the short-term.

"Supply anxiety is creeping into the market," said Mr Fawad Mohamedi, director of global oil markets at

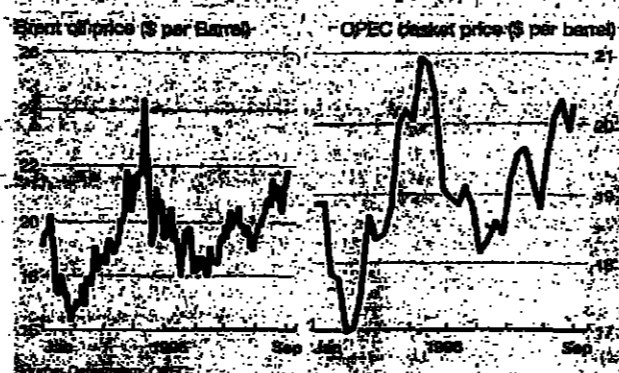
the Petroleum Finance Company, a Washington consultancy. "Every time we have fireworks in the Middle East it's worth 50 cents to a dollar on oil prices."

It was unclear last night how long the oil-for-food plan would remain suspended. The British Foreign Office said a prolonged delay was one of many retaliatory options being examined. "We haven't ruled anything out," said a spokesman.

Earlier Mr Récai Kutun, Turkey's energy minister, predicted a delay "for some time," although Ankara was expected to ask the UN to reverse its decision. A Turkish pipeline will carry most of the Iraqi oil and Turkey is expected to emerge as one of Iraq's main food suppliers.

Many in the international oil industry would welcome a two or three month delay to the start of Iraqi oil

Oil prices stronger than expected



exports. Although oil prices have proved surprisingly resilient this year because of strong demand, there have been worries that the actual arrival of Iraqi crude could coincide with increased production in the North Sea and elsewhere.

A delay in Iraqi exports until the fourth quarter,

when demand is especially strong because of the onset of the northern hemisphere winter, could prove less disruptive, say analysts.

But a prolonged delay to Iraqi exports could be difficult to justify, given that UN resolution 986 authorising the sales is not linked to specific Iraqi behaviour. The oil

sales and food distribution plans have also been carefully prepared to ensure that President Saddam Hussein receives no direct gain from the oil proceeds. In addition the Security Council has recognised that the humanitarian needs in Iraq warrant such a programme.

Any allied military action against Iraq could give a further boost to oil prices, which have risen sharply over the past month due to unease about the tougher US position towards Iraq and the wider potential for Middle East instability.

Ironically, one of the main financial beneficiaries of the tension has been Iran. Unlike the other big Gulf producers it is struggling to maintain oil production. The extra revenue is also particularly timely given that Tehran is in the midst of a large foreign debt repayment programme.

Hariri team 'bribed voters'

By Sean Evers in Cairo

Representatives of Mr Rafik al Hariri, Lebanon's billionaire prime minister, were yesterday accused of bribing voters in parliamentary elections in Beirut in which he and his supporters won 14 of the 19 seats.

The Lebanese Association for the Democracy of Elections (Lade), an independent group established in March to monitor elections, reported hundreds of violations in Sunday's voting, including "the buying of votes for the government list (Mr Hariri and his candidates), each vote being purchased for LE100,000 (\$64)".

The turnout among Beirut's 377,000 voters was only 31 per cent, the lowest so far in the five-region election process.

The battle for the capital was between Mr Hariri and Mr Salim al-Hoss, the former prime minister. Both are Sunni Moslem leaders, but while Mr Hoss is a veteran Beirut politician with 20 years in public life, Mr Hariri is a self-made construction tycoon from the southern port city of Sidon.

Until now, Mr Hariri has held office by parliamentary vote of confidence but had no parliamentary seat.

Mr Paul Salem, Lade general secretary, said: "Mr Hariri wanted to extend his influence to electoral politics by controlling a big bloc of deputies in parliament to push through his reform programme." The pro-Syrian prime minister is expected to have at least 40 supporters out of 128 members in the next parliament.

Mr Hariri and Mr al Hoss both received approximately 110,000 votes each.

Amid reports of extensive electoral abuses, the pro-Syrian candidates have now won more than 80 per cent of seats in the first three rounds of voting. Lade, however, believes the government will have a "very feeble" popular mandate.

Tour guide to Jewish settlers' case

Irene Prusher visits Hebron, potential stumbling block of the peace process

Mrs Moria Zeira is shouting the history of what she calls Jewish Hebron outside a small cave marked as the graves of Ruth the Moabite and Jesse, King David's father.

Her voice grows louder to compete with the mezzitins from nearby minarets, whose prayer call resonates in the hills around this decrepit city.

A crowd of English-speaking tourists nod, intensely interested, as their tour guide, appointed by Hebron's 400 Jewish settlers, describes why the Israeli army should retain control of the city - and its 120,000 Palestinians.

"Praise God, there is an army base there," says Mrs Zeira, pointing to a large, strategically perched building. "We don't know what [Prime Minister Benjamin] Netanyahu will decide to do. We know he will let Jews live here, but the point is if they'll be safe."

To Israeli and Palestinian negotiators trying to salvage the peace process, the point

is Hebron itself. In secret negotiations that government officials say are close to forging a breakthrough that would include a long-awaited summit between Mr Netanyahu and Mr Yasser Arafat, president of the Palestinian Authority, it is the future of Hebron that is the main block to progress.

Israel, which agreed to redeploy from the ancient city it captured in 1967 as part of the Oslo Accords with the Palestine Liberation Organisation, now wants to renegotiate the deal to improve its security implications. Though Mr Arafat cannot afford to appear soft before Palestinians, there may be a shred of willingness to let Mr Netanyahu make a few "cosmetic" changes to appease his right-wing constituency.

But some ministers in Mr Netanyahu's cabinet want to do more than just tinker with the original plans - they want to scrap them altogether. Jewish settlers have launched a public relations campaign that includes

videos, trips and widely-distributed bumper stickers declaring "Hebron: For now and forever." For visitors from abroad, they have a plethora of slick promotional material, a US-based "Hebron Fund" for fundraising purposes, and even a Hebron website.

But most of all, the settlers have made a new push into tourism, attracting

Tourists are whisked past hostile Arab stares

more than 300,000 visitors, they say, in the past year.

Mrs Zeira helps shuttle visitors in buses guarded by Uz machine guns, whisking tourists past hostile Arab stares from one site to another. From the bus, she makes a jab at the blue-hatted Norwegian observers who were to oversee the redeployment five months

ago. "If you're asking me, they're not doing anything, just talking with Arabs all the time."

First stop is the Tomb of Abraham and Sarah and the rest of Judaism's forefathers. Mrs Zeira brushes off the importance of the shrine to Moslems, instead warning her visitors about Islamic usurpation of the building.

"It looks very Arab inside because of what the Arabs did to it," she says, leading her followers towards two sets of metal detectors. The airport-like security and a separation of prayers came after an extremist settler, Baruch Goldstein, in 1994 opened fire on a group of Moslems praying there, killing 29.

Only muted mention of that is made. The massacre that seems to be most alive in the minds of the Jewish settlers here is the one in 1929, when anti-Jewish riots left 67 dead.

A settle-where-you-can strategy has left Hebron pocketed with Jewish settle-

ments, rather than concentrated in one area. Although mostly along the eastern end of the city, their separate enclaves make it impossible for the Israeli army to guard all of them without keeping control of some Palestinians.

"We see ourselves as the keepers of the keys. This is where the Jewish people began. And by next election, we want to have another 4,000 Jews here," says Mr David Wilder, a settler spokesman.

While other issues may seem negotiable, the peace brokers are finding the problems of Hebron to be almost as hard to solve as the ones surrounding that other disputed city - Jerusalem. But that has been left for final status talks, while Hebron has already been debated and decided by Mr Netanyahu's predecessors.

Palestinians in the city show little tolerance for political cosmetics. "The question of Hebron is finished, they must withdraw," says Raji Nasar, a PLO official in Hebron.

INTERNATIONAL NEWS DIGEST

Tanzania to sell state assets

Tanzania has earmarked 128 state companies for privatisation by the end of next year as part of western-backed economic reforms in the once socialist country. An official at the Parastatal Sector Reform Commission (PSRC) said 31 of the companies would be sold by the end of this month, with the total rising to 78 by the end of the year.

Tanzania is scheduled to open a stock exchange later this month. The Capital Markets and Securities Authority last week invited private companies to prepare prospectuses in readiness for the opening. Tanzania Breweries, owned jointly by a South African company and the Tanzanian government, is among those to be listed.

The official said other candidates include National Steel Corporation, the National Bicycle Company, Motor Mart, National Engineering Company, Tanzania Cables Southern Paper Mills, and Ubungu Farm Implements and Machine Tools.

Reuters, Dar es Salaam

Israel overshoots deficit goal

Israel's budget deficit has already surpassed its target level for the whole of 1996, the finance ministry said yesterday, pointing to difficulty in the new government's plans for drastically reducing its deficit.

The government's domestic spending in August exceeded its domestic revenues by Shk2.09bn (\$666m). That brought the government's local deficit to Shk8.6bn, overshooting the Shk7.6bn target for the entire year.

As part of his sweeping plans for fiscal restraint, Mr Benjamin Netanyahu, the prime minister, has pushed through cabinet plans to cut Shk4.9bn from the 1997 budget. But those cuts have not yet been authorised by parliament and face tough opposition from Israeli labour unions. Mr Dan Meridor, the finance minister, had hoped that Israel might be able to make additional cuts to help trim the 1996 deficit. Now that the target has been surpassed just eight months into the year, market analysts are concerned the government might be forced to raise taxes and will be unable to justify a further easing in interest rates.

Irene Prusher, Jerusalem

Jordan to try 'rioters'

Jordan is to put on trial between 30 and 50 men, many of them activists in a pro-Iraq party, for alleged involvement in riots after the government doubled bread prices last month. Many are members of the Jordanian Arab Socialist Baath Party (JASBP), blamed by the government for instigating Jordan's worst civil disturbances in seven years. They and other activists are accused of taking part in setting fire to and damaging public buildings and banks. A special security court will try them soon, an official said. The JASBP, which has one seat in the 80-member lower house, denied it was behind the unrest, blaming the troubles on government policies and rising economic hardship.

Reuters, Amman

Nigerian strikers threatened

Nigeria's military government, unable to break a four-month strike by university professors, warned yesterday that the schools would be closed and strikers fired unless they returned to work. The warning, in the state-owned Times of Nigeria newspaper, gave professors until today to comply. The strike is over pay and government "neglect" of education.

Reuters, Lagos

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NEWS: ASIA-PACIFIC

Fresh candidates emerge for the post-colonial position of chief executive

Hong Kong political contest hots up

By John Riddling in Hong Kong

Manoeuvring is gathering pace for political power in post-colonial Hong Kong. New candidates are emerging in the contest to become chief executive, the territory's top job after next year's handover to China, while pro-democracy groups are realigning and forming fresh platforms.

Both tussles will shape the territory's fortunes. The chief executive will determine whether Hong Kong's promised autonomy is upheld, while the pro-democracy forces promise to press for the protection of rights and institutions.

Divisions and upheavals within their ranks, however, raise questions about how effectively they can bring such pressures to bear.

The latest and most surprising political twist has come in the battle for the post of chief executive.

The weekend revelation that Sir Ti Liang Yang, the chief justice, is poised to compete has prompted predictions of a two-horse race in which Mr Tung Chee-hwa, the shipping tycoon and front-runner, faces a challenge on the home straight.

For many, he retains the edge. "C.E. Tung is still the favourite," says Mr Michael de Golyer, head of the transition project at Baptist



C.E. Tung (left) - favourite for top job after the transfer, with influential Mrs Anson Chan in with an outside chance

University. Pro-democracy politicians dismissed Sir Ti Liang's nomination as a ploy to give the impression of choice in a non-democratic selection, while Mr Allen Lee, head of the pro-business Liberal party cites concerns about Sir Ti Liang's management and organisational abilities.

As one commentator adds: "Comprehension of Hong Kong's capitalist system is critical. It is better to be savvy than be fair."

But Sir Ti Liang's late run undermines the assumption that the final decision set for November, has already been taken. Equally significant, it has revealed concerns within the business community about having a chief executive from his ranks.

"If he is your ally, that is the best solution. But if he is not its the worst," says one industrialist. The local and international

reaction to the final choice will depend partly on whether Mrs Anson Chan, the respected chief secretary, remains in a position of influence. In theory, she could even have a chance of the top post if the decision is made by secret ballot in the 400-member selection committee. Partly because of this, the odds are for a "consensus" decision.

"Beijing will want to be sure the choice is theirs. Don't imagine they will take a chance," says one diplomat.

The manoeuvring among the pro-democracy forces is more visible - as is the dilemma facing the Democratic party, the largest member of the territory's legislature. Last month's call by China for dialogue with the Democrats marked an attempt to reassure Hong Kong's public about the transition, but it also represented a tactical move, placing pressure on the party to join the selection committee and threatening divisions within the pro-democracy ranks.

"They have shot themselves in the foot," says Mr De Golyer, referring to the Democrats' refusal to join the committee, despite polls supporting such a move.

"They should join, help select the chief executive and protest over the issue of the provisional legislature," he says, referring to Beijing's controversial plan to abolish the existing Legislative Council.

Challenges are also being presented by the proliferation of new political groupings. Ms Emily Lau, along with four other legislators, has established the Frontier, a new organisation to defend human rights and to push for universal suffrage.

Ms Christine Loh, another independent legislator, is to set up a new party in spring next year and has signalled a pragmatic stance in dealings with China, dismissing claims of accommodation, but stressing the need for co-operation, particularly in business issues. "I don't have a problem working with people with a different ideology," she says. "In areas where I disagree we will still have a punch-up."

The concern among pro-democracy forces is that those opposing Beijing's stance will be weakened by divisions. Mrs Lau dismisses such claims. "How can we divide what was never united," she asks. We have a hundred members, and only three are from the Democratic party. We will help unite diverse forces."

Mr Mrs Lau predicts Beijing's overtures will draw some democrats to its cause. "Mr Qian has succeeded in dividing the pro-democracy camp," she says, referring to the Chinese foreign minister's invitation to join the selection committee. According to this view, the re-shaping of Hong Kong's political forces is only just beginning.

ASIA-PACIFIC NEWS DIGEST

Suu Kyi given new warning

Burma's democracy leader Ms Aung San Suu Kyi has been warned not to expand her political activities or she and her National League for Democracy (NLD) could face further repressive measures, officials said yesterday. "New and appropriate steps will be taken if and when required," Colonel Kyaw Thein of military intelligence said. No one would be allowed to act as a check on the country's economic development, he added.

The warning comes after sentences on 61 NLD supporters, including 19 accused of having contact with Burmese exile groups. Four others have been sentenced to seven years' jail for trying to make a video of conditions in the Burmese countryside. Under a bill passed by the Senate and pending in the House of Representatives, Ms Suu Kyi's arrest would empower President Clinton to impose economic sanctions. William Barnes, Rangoon

Problem loans bank set up

A new vehicle for handling collapsed Japanese financial institutions was set up by Japan's financial authorities yesterday. The Resolution and Collection Bank (RCB) is intended to operate like the US Resolution Trust Corporation, established after American savings and loans institutions failed in the 1980s.

The RCB's duties include disposing of what remains of several credit unions that have failed in the past two years. It aims to recover what assets it can over the next five years. The bank will have capital of ¥160bn (\$1.5bn), the bulk provided by the Deposit Insurance Corporation (DIC), which is financed by commercial banks to protect depositors. The DIC has provided guarantees of ¥300bn. The government will provide the bank with extra funds if needed. Gerard Baker, Tokyo

Manila peace deal signed

Philippines President Fidel Ramos and Mr Nur Misuari, leader of the Moro National Liberation Front (MNLF), signed a formal peace deal yesterday, ending the 24-year civil war which has claimed 100,000 lives. The agreement will lead to a Moslem autonomous council covering about a quarter of the Philippines' territory within the next month. The council, which will dispense development funds over 14 provinces and nine cities, will be replaced by a permanent autonomous structure in 1999 when a plebiscite is held to determine which regions will belong to it. Hardline Christian elements said they would continue to oppose the deal. Edward Luca, Manila

Roh prosecutors appeal

South prosecutors filed an appeal yesterday against the 22-year prison sentence passed on former president Roh Tae Woo last week, because they said it was too lenient. The prosecutors sought a life sentence for Mr Roh, found guilty of involvement in the 1979 military coup and the 1980 crackdown on pro-democracy demonstrators in Kwangju. The court also found him guilty of accepting bribes.

Prosecutors filed an appeal against the jail terms on 13 former military officers and acquitted of another officer, all tried for involvement in the two incidents. Former President Chun Doo Hwan, Mr Roh's co-defendant, was sentenced to death for masterminding the incidents. Mr Chun and Mr Roh have appealed. Kyodo, Seoul

Hard hit South Pacific on the fiscal rack

By Nikki Taft in Sydney

Talk of fiscal restraint will inject a dose of reality on the sand-fringed shores of the South Pacific when leaders of 16 regional island nations gather today at Majuro on the Marshall Islands.

"The idea of focusing on economic reform and openness is very important," Mr John Howard, Australia's prime minister, said bluntly yesterday before leaving on his first overseas trip to attend the annual meeting of the South Pacific Forum.

The assembled leaders will have little choice but to listen to his message. The past year has been particularly tough for the region. According to the Asian Develop-

ment Bank, developing nations - which make up the bulk of the Forum members bar Australia and New Zealand - clocked up negative growth of 4.3 per cent in 1995.

This was partly due to the severe financial problems faced by resource rich Papua New Guinea, one of the larger economies, which is still wrestling with a "structural adjustment" package demanded by the World Bank as a pre-condition for financial support. But PNG's woes were also symptomatic of wider economic malaise. Most Pacific nations saw growth rates decline last year, and even where growth remained presentable, this was largely illusory.

In the Solomon Islands, for example, the rise in GDP was

driven by proceeds from unsustainably logging levels, predominantly by foreign companies. Western Samoa merely recovered from a crippling contraction in 1994 when the taro crop was devastated.

Aid flows to the region are also declining. As a recent Australian government report noted: "The US and the UK [are] now playing only a very limited role, and the European Union is not as yet giving any indication what will replace the current framework... when the Lome Convention expires in the year 2000. New donors are becoming more active, but not yet on a significant scale."

Already, some economies have been forced to adjust to these straitened times. In PNG, this has

largely been at the behest of the World Bank, and the process remains controversial. In the much smaller Cook Islands, which until recently had 18 public servants per 100 islanders, stringent civil service cuts have been announced and restructuring instigated with help from the ADB and New Zealand.

But in other cases, the financial pressures seem to be prompting more controversial solutions. Tuvalu has reportedly become the centre of a telephone sex industry, with revenue from the calls said to account for about 10 per cent of its national budget.

Australia, for one, will be keen to ensure that more conventional budgetary solutions get a hearing in Majuro. Officials said last week

the "main game" would be to ensure that trade and economic reform is on the agenda.

Mr Howard, meanwhile, departed for the forum armed with a review of the "South Pacific Regional Trade and Economic Co-operation Agreement". The "Sparteca" arrangements allow free access for agricultural and manufactured goods from the Pacific islands countries to the New Zealand and Australian markets, and have been instrumental in developing the likes of Fiji's garment industry.

But the new Australian government has already made clear it thinks the Sparteca arrangements have had their day, arguing that they are of declining value as Australasian tariff walls come down.

Advertisement for Seiko Kinetic watches. Features a large image of a watch and text: "Good-bye Battery", "Welcome to the future: Seiko Kinetic... the first and only quartz watch that turns your movement into power... is converted into electrical impulses by a tiny built-in powerhouse...".

Vertical strip of financial service advertisements including: Union Limited, Berkeley Futures Limited, Market-Eye, Reuters 1000, FOREX, Knight-Ridder's Futures Market Databank, Futures & Options, Offshore Companies, and Signal.

Large advertisement for Financial Times Business Research Centre. Text: "Unable to find what you are hunting for? We can track down the information you need". Lists services: Competitors, Markets, Customers, Background Research. Includes a form to request a free estimate.

Handwritten Arabic text at the bottom of the page: "مكتبة الامم المتحدة"

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UBS sees \$1bn provision for year

Union Bank of Switzerland, the biggest Swiss banking group, is tightening procedures for dealing with non-performing loans in an attempt to stem rising bad debt provisions...

GEA predicts flat earnings for year GEA, the leading German process technology group, said its full-year 1996 net profits would be about DM111m (\$75m)...

Leica Camera issue to seek DM124m Leica Camera, the German camera and optical group, plans to raise at least DM124m (\$83.7m) through its new share issue this month...

Outokumpu cautions on 1996 earnings Heavy falls in world steel and copper prices in recent months forced Outokumpu, the Finnish mining and metals group which is 40 per cent owned by the government, to warn that earnings this year would be well below its record FM1.5bn (\$330m) profit in 1995...

Mayne Nickless tumbles 33% Mayne Nickless, the Australian transportation and healthcare group, announced a 32.8 per cent drop in profits to A\$85.1m (US\$67.5m) after tax but before abnormal items in the year to June 30...

Intel claims record chip sales growth Intel, the US chipmaker, says sales of its Pentium Pro microprocessor, introduced late last year, have grown faster than any previous generation of microprocessors...

First Pacific chief upbeat for year First Pacific, the Hong Kong-based conglomerate controlled by the Salim group of Indonesia, announced a 30 per cent drop in first-half net profits to HK\$708.2m (US\$91.5m)...

Singer & Friedlander rises 42% A strong performance in its stockbroking and fund management businesses gave Singer & Friedlander Group, the independent UK merchant banking concern, a 42 per cent rise in underlying interim pre-tax profits from £14.8m to £21m (\$32.7m)...

Bunzl rises 12% despite price falls Bunzl, the UK paper and plastics group, withstood sharp drops in the prices of paper and plastics to record a 12 per cent increase in first half pre-tax profits to £55.8m (\$87m)...

Companies in this issue. AEA Technology 14 Intel 18. Access 16 Kaulhalla 16. Airbus Industrie 4 Manubeni 19. Amcor 19 Mayne Nickless 18. American Airlines 3 Metallgesellschaft 19. Ansett 18 Motorola 19. BMW 15 North 19. Boeing 4 Orchard Parade 19. British Airways 4.3 Outokumpu 17. Colson 17 Pharmacia & Upjohn 19. Enel 17 QBE 16. First Pacific 19 SPT Telecom 17. France Telecom 2 Sachtieben Chemie 19. GEA 16 Sextant Avionique 19. GEC 15 Southcorp 19. Graveland Dorand 16 TNT 16. GlaxoSmithKline 16 Tabacalera 18. Green Cross 19 Tenaga Nasional 15. Guangzhou Huaili 19 Tractebel 16. Iberdrola 16 UBS 16.

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Chief price changes yesterday. Frankfurt (DM) DAX 3205 + 6.5. Curbao 187 + 6.4. Nikkei 156 - 2.5. Hang Seng 450 - 11. London (pence) FTSE 100 2717 + 7. FTSE 200 250 + 15. FTSE 1000 337 + 59. FTSE 1000 450 - 11. London (pence) FTSE 100 2717 + 7. FTSE 200 250 + 15. FTSE 1000 337 + 59. FTSE 1000 450 - 11. London (pence) FTSE 100 2717 + 7. FTSE 200 250 + 15. FTSE 1000 337 + 59. FTSE 1000 450 - 11.

Watchdog questions sale of Enel

By David Lane in Rome. The Corte dei Conti, Italy's public accounts watchdog, said the controversy over the electricity tariff regime created uncertainty for privatising Enel, the state electricity corporation wholly-owned by the Treasury.

published yesterday, the Corte dei Conti said continuing uncertainty in the matter of tariffs created problems in planning and operations at the electricity company. The watchdog referred to two surcharge components in the tariff that were contested and led to legal action by users.

government has introduced decree legislation this year but the matter remains unresolved. The second tariff surcharge provides reimbursement for nuclear costs incurred by Enel following the abandonment of nuclear power in 1987. The calculation of these costs is questioned, in particular the interest rate, the compounding of interest and the extension of Enel's claims to cover operational nuclear power plant as well as that under construction.

accounts watchdog remarked on the "dubious legitimacy of measures adopted in a state of confusion and uncertainty". The Corte dei Conti's report has been published soon after the appointment of a new board of directors at Enel. The shareholder meeting in June appointed Mr Chicco Testa, formerly head of the Rome electricity and water utility, as chairman. Mr Franco Tata, previously head of the Mondadori publishing house, was appointed managing director.

end of last year, from almost 100,000 one year earlier. The board said in the 1995 annual report that it expected a 5 per cent increase in sales per employee this year. Sales are only expected to rise by 2 per cent and further cuts in the workforce would be necessary. Enel posted net profits of L1,147m last year on sales of L36,112m, a rise of 11 per cent on the L1,088m net profit from L33,865m sales reported in 1994.

GEC amends head's incentives

By Ross Tlemann in London. The General Electric Company of the UK, has quelled a revolt by institutional investors after agreeing to introduce tougher performance criteria to the incentive package for its new managing director, Mr George Simpson.



Burmah Castrol, the UK lubricants, chemicals and fuels group, lifted first-half pre-tax profits by 8 per cent to £125.9m (\$196m)...

In the case of GEC, investors' unhappiness centred upon a scheme which would have allowed Mr Simpson to exercise phantom options if the company outperformed the FT-SE 100 index by 10 per cent during a six-month period.

By Tim Burt in London and Wolfgang Munchau in Frankfurt. Mr Walter Hasselkus, the new chief executive of Rover, was yesterday warned that it could take several years to turn around the loss-making UK subsidiary of BMW.

owned by British Aerospace. That spending - coupled with last year's DM335m (\$226.2m) loss at Rover - has led to criticism in Germany that BMW may have made a mistake when it acquired Rover for £800m (\$1.2bn) in 1994.

By John Lawson, analyst at Salomon Brothers, said: "The problem is Rover has exactly the wrong sort of product mix. They have eight model lines covering an area of the market which is too small for a volume car producer."

Shares in the company, which is on the government's list for full privatisation, closed yesterday at Pt5,130, up Pt430. This compared with Pt4,600 before the tax increase. The value of the government's 52 per cent holding at current market prices has fallen by more than Pt300m since mid-July when Tabacalera shares peaked at Pt6,700.

New Rover chief faces long haul

By James Kyngs in Kuala Lumpur. Tenaga Nasional, the Malaysian power group and the country's second biggest company by market capitalisation, may have to increase capital spending to avoid a repeat of last month's devastating power cuts.

Mr Tajuddin said the company would look for cost savings before asking the government to raise tariffs. Mr Tajuddin stopped short of saying that employees may be laid off, but noted the government had given him a mandate to make whatever changes were necessary to restore the company's reputation with its customers, creditors and shareholders.

He said he could not guarantee there would be no more blackouts such as the one that lasted 16 hours on August 3, but said he would ensure Tenaga did "everything humanly possible" to prevent it. One new measure was to generate more electricity in plants nearest the areas of greatest demand, even if those plants were less economical.

"We have achieved another very satisfactory profit advance in spite of deflationary pressures restricting sales growth."

Malaysian group may lift spending to curb blackouts

The selection of Mr Simpson, previously chief executive of Lucas Industries, to run GEC enjoys wide support among the company's shareholders. One said: "Are we enamoured with his reward package? Not hugely. But we are not talking about a Jack Flash. George Simpson is a serious industrialist - and he is taking on a very tough job."

Lord Weinstock, 71, who has run the company for more than 30 years, retires from executive responsibility at the annual meeting on Friday. Shareholders admire the strength and stability achieved by Lord Weinstock at the defence, electrical and electronic engineering group. But they believe a new managing director is needed, with a new strategic vision, to accelerate growth.

The power cut, which cost manufacturers at least M\$123m in losses, prompted a government review of whether Tenaga should lose its distribution and transmission monopolies. The National Grid Group, the UK power company, has been hired to recommend steps which Malaysia can take to eradicate its problems.

Profit growth continues. "We have achieved another very satisfactory profit advance in spite of deflationary pressures restricting sales growth."

Tax fears at Spanish tobacco group

Tabacalera, Spain's state-controlled tobacco group, yesterday said results in the second half may suffer as a result of higher cigarette taxes, after a 10.8 per cent increase in first-half consolidated net profits to Pt7.13bn (\$87m).

In a price war between brands, Tabacalera has tried to consolidate market share by not raising prices on its main Virginia tobacco products such as Fortuna, the Spanish market leader.

Although international brands are made in Spain under licence or through joint venture arrangements with Tabacalera, and sold through the Spanish company's effective distribution monopoly, retail prices are fixed by the foreign partners.

Tabacalera said the price policy meant it would carry the burden of taxes on some of its own upper and middle-range brands, but it could not yet quantify the impact this might have on results.

Shares in the company, which is on the government's list for full privatisation, closed yesterday at Pt5,130, up Pt430. This compared with Pt4,600 before the tax increase. The value of the government's 52 per cent holding at current market prices has fallen by more than Pt300m since mid-July when Tabacalera shares peaked at Pt6,700.

Parent company net profits in the first half were 13.5 per cent up at Pt27.57bn, on gross sales rising 10.8 per cent to Pt392.98bn. This included a 14.2 per cent growth in sales of its core tobacco business, net of value added tax, to Pt285bn. Operating profits climbed 28.5 per cent to Pt16.46bn.

Handwritten signature or stamp at the bottom of the page.

COMPANIES AND FINANCE: EUROPE

Outokumpu cautions on 1996 earnings

By Hugh Carnegie
in Stockholm

Heavy falls in world steel and copper prices in recent months yesterday forced Outokumpu, the Finnish mining and metals group, to warn that its earnings this year would be significantly below its record FM1.5bn (\$530m) profit in 1995.

News that the outlook had deteriorated since June, when Outokumpu revealed a 60 per cent fall in profits during the first four months, alarmed investors and prompted a sharp drop in the group's share price.

The shares fell FM5.50 to FM79 before recovering to close down FM3.40 on the day at FM81.10.

Outokumpu, which is 40 per cent owned by the Finnish state, said the second four-month period - in common with many Finnish companies, the group reports three times a year - would be significantly weaker than the first four months, when pre-tax profits slumped to FM306m.

"Although the financial development is expected to improve somewhat during the rest of the year, the group's result for the whole of 1996 will, in light of the current outlook, be significantly weaker than the previous year," the group said.

Outokumpu

Year end	Pre-tax profit		EPS		CEPS		DPS Yield	
	FM bn	FM	P/E	FM	P/CEPS	FM	%	
1995	1.49	23.2	12.7	14.6	5.4	1.80	2.3	
1996*	1.01	16.2	12.7	14.6	5.4	1.80	2.3	
1996E	2.03	10.3	7.7	18.2	4.3	2.20	2.8	

Source: UBS

Cofinec blames Hungary market for profit slide

By Virginia Marsh
in Budapest

Managers from a central European packaging group will have some explaining to do when they meet institutional investors in London in coming days.

Since the group, Cofinec, went public less than three months ago in one of the former Eastern bloc's largest ever share issues, it has posted disappointing first-half results and its shares have fallen about a quarter.

An international offering in June for about half the company - considered one of the region's first homegrown multinationals - raised about \$90m after eliciting gross demand of \$690m, a record for an east European offering.

However, since last week's announcement of first-half results sharply below market expectations, the company's Global Depository Receipts on London's *Seaq* have fallen \$4 to \$31. The GDRs, also listed on the Budapest Stock Exchange, were launched at \$42.30, or Ft6,425 and initially rose to over \$48 or Ft7,300.

The France-registered company, which operates four packaging plants in Hungary, the Czech Republic and Poland, said that consolidated net profit in the first half slumped to FF2.1m

(\$415,000), from FF10.2m in the same period last year, on net sales of FF336.5m, slightly up from FF327.5m.

Previously, the company, which was set up in 1989 by Mr Carlo De Benedetti, the Italian industrialist, had experienced rapid growth.

An information memorandum had predicted net profit of FF37m on net sales of about FF800m for the year.

Management at Cofinec blamed the poor performance primarily on an unexpected economic downturn in Hungary, which meant orders fell at Petofi, the larger of its two Hungarian subsidiaries that normally accounts for about 55 per cent of group turnover.

Analysts said the group had also been affected by other problems that it should have anticipated, such as high levels of expensive stock at a time of falling paper prices and delays in bringing onstream its greenfield plant in Poland.

Cofinec has yet to issue a revised 1996 forecast but said the outlook for the second six months was more encouraging.

The Polish plant, it said, would begin to contribute to turnover, while economic conditions were expected to improve in Hungary, and interest expenses would fall about FF6.6m as a result of reduction in debt.

Sale of Magyar Hitel Bank starts

By Virginia Marsh

Hungary yesterday launched a closed tender for the sale of an 89.3 per cent stake in Magyar Hitel Bank, one of the last large state-owned banks to come up for privatisation.

APV, the privatisation agency, declined to disclose which international banks it had invited to tender for Hungary's fifth-largest bank in terms of assets.

However, Austria's Creditanstalt and ABN Amro, two of the most active western banks in the former eastern bloc, are seen as front-runners.

MHB, once one of the country's most troubled banks, has undergone a remarkable turnaround since

the appointment of Mr Zsigmond Jari as chief executive in March 1995. The bank, which had assets of Ft290bn (\$1.72bn) at the end of last year, posted better than-expected first-half results, including post-tax profit of Ft2.7bn. It had predicted post-tax profit of about Ft4bn for the full year, up from Ft1.4bn last year, when Mr Jari began a radical restructuring plan.

In the first half of this year, the bank's capital adequacy ratio improved to 14 per cent from a little over 11 per cent in 1995. APV, which is being advised on the privatisation by Barclays de Zoete Wedd, the UK investment bank, hopes to close the sale by the end of the year. Bids are due in 45 days.

SPT seeks humility to cope with deregulation

After surviving crisis, the Czech telecoms operator will next face competition, says Vincent Boland

Eighteen months ago, SPT Telecom was a company in crisis. Morale at the Czech telecommunications operator was at an all-time low, its chief executive had been dismissed, and its imminent alliance with a foreign partner faced strong opposition.

Now SPT is earning bumper profits as revenues expanded; last month it reported first-half pre-tax profits of K24.5bn (\$173.5m) on revenues of K215.1bn, and analysts expect full-year revenues to exceed K300bn for the first time.

It is a stock market favourite and the biggest listed company on the Prague stock exchange.

This summer the company raised \$750m in a syndicated loan with a consortium of international banks. Most importantly, its alliance with the Dutch/Swiss consortium TelSource, which in June 1995 paid \$1.45bn for a 27 per cent stake in SPT, appears to be working well, despite a legal challenge from die-hard proponents of the "Czech way" of privatisation, which would exclude foreign investors from strategic companies.

It has even managed to count the number of people



Svatoslav Novák: looming competition concentrating minds

waiting for a new telephone, and Mr Beasel Kok, SPT deputy chairman, has promised they are the highest priority.

While much of the credit for this transformation lies in the arrival of TelSource, which paid \$1.45bn for its stake in June last year, the man who has to make a success of the delicate cultural fusion now under way is Mr Svatoslav Novák, SPT chief executive.

Mr Novák, 37, says the most difficult part of his job has been to explain to SPT's 26,000 employees why the link with a foreign partner was necessary: to give SPT greater access to international capital to finance its \$5bn modernisation drive, improving services and marketing, and making the company more responsive to customers.

"I'd love to be able to say it was clear to everybody," Mr Novák says. "It's not something you can do overnight."

The entry of TelSource means SPT now has a multinational executive board. Mr Novák and the company's technical development director, Mr Michal Cupa, are Czech; the deputy CEO, Mr Kok, is Dutch; the finance director, Mr Urs Kamber, is

Swiss; and the trade and marketing director, Mr James Hubley, is American. A Briton, Mr Lyall Davidson, is entrusted with making sure that - metaphorically - they all speak the same language.

Mr Novák took up his position at the start of 1995, moving from the economy ministry, where he was deputy minister in charge of telecommunications.

He replaced Mr Jiri Makovec, who was removed ostensibly for irregularities in the granting of SPT contracts but in reality because he opposed SPT's sale to a foreign investor.

Mr Novák arrived at SPT at "a very emotional time". A raging debate on its privatisation had bred fear and mistrust among staff, and the company was increasingly under attack from a public fed up with its extremely terrible service.

Today the attacks are dying down, but SPT, like any company with a virtual monopoly, is still vulnerable to hubris. It must meet the stiff targets set by the government for expansion of the network - more than 250,000 lines remain to be installed in the second half of this year - or face financial penalties.

If it does meet all its targets, SPT stands to gain from the regulatory regime put in place to coincide with its privatisation. The regime runs to 2000, after which price rises for services will be worked out by a government formula. This mix of incentives and penalties "means our motivation [for meeting targets] is higher," Mr Novák says.

Cast off its monopolist's image could prove one of the most difficult tasks. While there is some competition from independent operators, it retains its monopoly of basic services to the end of the decade.

Some observers also query the free-market credentials of TelSource's owners, PTT Telecom Netherlands and Swiss Telecom, both monopolists in their home markets. The consortium is backed by AT&T, which provides technical support, and Mr Novák says that "it is true that the free market experience is coming mainly from the US side, from AT&T".

Nevertheless, there is a general view that the alliance between SPT and TelSource is shaping up to be one of the Czech Republic's most successful privatisations. Mr Novák says the scheduled arrival of rivals in its market early next decade is concentrating minds more than anything else.

"What we want is to prepare SPT for competition," he says.

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NEWS DIGEST

Marubeni in deal with Motorola

Marubeni, the Japanese trading house, and Motorola, the US high technology group, are setting up a joint venture company in Japan to provide PC network services through cable TV.

The new company, which will develop multimedia contents, will be 60 per cent owned by Marubeni, 30 per cent by Motorola, and 4 per cent by Fuji Bank. It will use the cable network of Japanese cable TV companies to provide interactive services currently available through PC networks, including high-speed Internet services, games and information services. The service will initially be provided through a cable TV company affiliated with Marubeni.

Demand for Internet and other PC services has grown rapidly in Japan in recent years, but the market for cable TV has been slow to develop. By offering PC services through the cable network, which has the capacity to carry substantially more additional data than broadcast programmes at significantly faster speeds, Japan's cable TV companies, most of which are struggling to make profits, could make better use of their infrastructure.

At the same time, the use of cable TV could provide subscribers with faster connection and better quality graphics than is available on the PC services that use a telephone line. Marubeni expects other companies, such as NTT Data, to invest in the joint venture later and hopes to have 30,000 households subscribing to the service within five years.

Michio Nakamoto, Tokyo

Green Cross to retrench

Green Cross, Japan's leading manufacturer of blood products, said it would launch a restructuring programme as a result of its compensation payments to haemophiliacs who were infected by HIV through its untreated blood clotting agents.

The company expects to post recurring losses of more than ¥5bn (\$46m) for the current year due to compensation payments of ¥24bn, and has asked Sakura Bank, its leading creditor, for financial aid.

Green Cross plans to close two of its four plants by 2000 and sell the land. It will reduce its workforce by 400 to 3,000 over the next three to four years through attrition and by shifting employees to subsidiaries.

The company is also likely to be hit further as many medical institutions have halted distributing its products as a result of its involvement in the HIV situation.

Emilio Terazono, Tokyo

Southcorp edges ahead

Southcorp, the Australian packaging, wine and appliance group, yesterday announced a small increase in after-tax profits to A\$118.2m (US\$99.5m) for the year to end-June. This compared with A\$115.5m in the previous 12 months. Both figures were struck before abnormal items; after these, Southcorp's bottom-line result improved from A\$64.5m to A\$123.5m. Sales for the year were 8 per cent higher, at A\$2.55bn.

The small profits advance was largely due to strong growth in the wine division - Australia's largest single wine business. Here, sales rose by 12.6 per cent to A\$447m, while pre-interest profits increased by 31.4 per cent to A\$90m. The packaging business also posted a 9.3 per cent sales gain at A\$1.1bn, with pre-interest earnings advancing 15 per cent to A\$132.1m.

On the appliance side, however, earnings before interest were down 27.8 per cent at A\$37.3m, with low demand in Australia blamed for the shortfall. Southcorp added that its US water heater business stayed in the red, although the deficit in the second half was the lowest since its acquisition. Appliance sales rose 5 per cent to A\$285m.

The company said that, barring any "significant" downturn in the Australian and US economies, it would be looking for further earnings improvement this year.

Nikki Tait, Sydney

QBE advances to A\$123.3m

Shares in QBE, the Australian general insurer, rose almost 4 per cent yesterday after the company announced an after-tax profit of A\$123.3m (US\$97.5m) in the year to end-June. The figure is calculated on the "directors' preferred accounting basis" - which spreads investment gains and losses over seven years - and compares with A\$107.1m in the previous year.

Under conventional Australian accounting practice - which takes unrealised and realised investment gains or losses in the year incurred, with no attempt at smoothing - QBE would have made a profit of A\$147.3m.

QBE said that its gross premium income was up from A\$1.36bn to A\$1.5bn, and that combined operating ratios had been at the lowest level for 23 years. Profit from Australian operations had been helped by higher premium rates and legislative changes for compulsory third party motor insurance in New South Wales, while the group also saw "notable profits" in Singapore, Malaysia and New Zealand.

"There is clear focus in our planning for further Asian development, as this region continues to produce outstanding growth for QBE," the group said. QBE also indicated that it remained on the look-out for acquisitions and could spend about A\$400m in the right circumstances, although discussions to date have faltered over price. Its shares gained 25 cents to A\$7.85 after the results.

Nikki Tait

Metallgesellschaft in China

Metallgesellschaft said its Sachtleben Chemie unit has formed a joint venture with China's Guangzhou Huali Pigment Industrial Co to produce the white pigment Lithopon. Sachtleben will hold 40 per cent in the venture, to be called Guangzhou Huali Sachtleben Chemicals, while Guangzhou will hold the remaining 60 per cent.

The joint venture will employ 900 people and will have a yearly capacity of 50,000 tonnes of Lithopon, with operations due to start at the beginning of 1997. Sachtleben Chemie will provide know-how and capital and will market the pigment outside China.

The venture is part of the relocation of Lithopon production from Germany to China. The resulting spare capacities will be used to expand production of other zinc and barium products. Sachtleben Chemie is 100 per cent owned by Dynamit Nobel, which is Metallgesellschaft's 71.4 per cent-owned umbrella company for its chemicals activities.

AFX News, Frankfurt

Orchard Parade up at midway

Orchard Parade, the Singapore hotel and property group, saw pre-tax profit rise from S\$15.5m to S\$18.9m (US\$13.4m) for the six months to June 30. Sales jumped from S\$36.24m to S\$224.92m, as a result of the inclusion of Yoo Hup Seng's turnover of S\$105m, and a change in its method of recognising property development profits.

At the company level, turnover fell 2.5 per cent to S\$13.11m, against S\$13.45m a year ago. Net profit before extraordinary items declined even more sharply, falling 64 per cent to S\$1.11m. Company level pre-tax profits also fell, from S\$6.47m to S\$5.05m, a 21.9 per cent decline. This was mainly due to the continuing competition faced by the hotel's food and beverage outlets and increasing "rating costs," the company said.

said it expected performance at its hotel division to be satisfactory for the year. However, earnings at its 14-acquired Yoo Hup Seng subsidiary will continue to be resoured by difficult trading conditions in China and upore. Orchard Parade said it has adopted the more national "percentage completion" accounting method recognising the profits of its real estate developments.

AFX Asia, Singapore

First Pacific upbeat on year

By John Fiddling in Hong Kong

First Pacific, the Hong Kong-based conglomerate controlled by the Salim group of Indonesia, yesterday announced net profits of HK\$708.2m (US\$91.5m) for the first half of the year, a decline of 30 per cent over the same period in 1995, as a fall in exceptional gains outweighed a strong underlying performance.

Mr Manuel Pangilinan, managing director, expressed satisfaction with underlying growth which saw profits before exceptional items rise by 30 per cent to HK\$708m. He struck an optimistic note about prospects, predicting increased growth in earnings per share in the second half.

In the first half of last year net profits were boosted by exceptional gains of HK\$482m from the sale of shares in group subsidiaries. No exceptional gains were recorded in the latest period, while earnings per share were eroded by a US\$200m share placement last September.

Excluding exceptional gains, fully diluted earnings per share rose by 13.6 per cent to 29.95 cents - an increase in line with expectations according to Mr Adrian Faure, conglomerates analyst at Merrill Lynch in Hong Kong.

The first half result was driven by the group's telecom activities, which raised profits from HK\$150.1m to HK\$261.4m. Increased competition in the mobile tele-

coms market in Hong Kong is expected to limit growth and has already slowed subscriber volumes. But Mr Pangilinan predicted a continued strong performance by the group's Smart Communications operation in the Philippines.

The flotation of Smart on the Philippine stock market, which was announced last month, is expected to take place by the beginning of 1997.

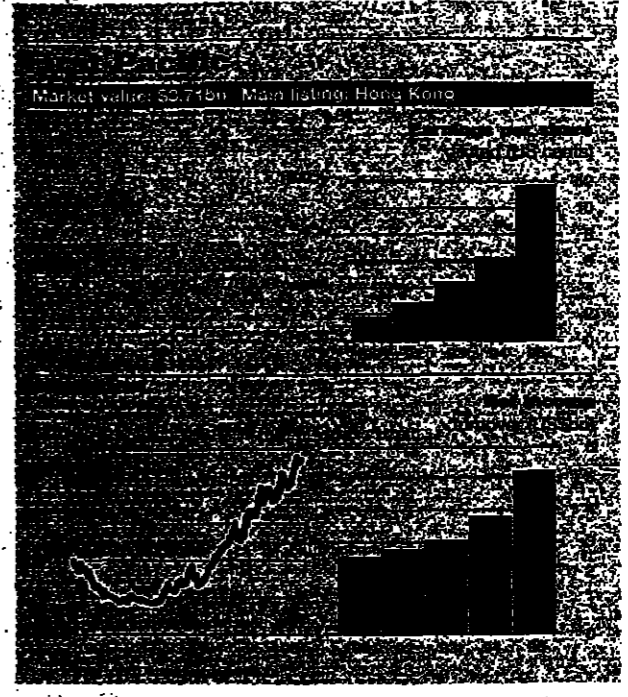
First Pacific cited a robust performance in its marketing and distribution companies, which contributed a combined result equivalent to about half of group profits. In Europe, Hagameyer achieved net profits of F111.3m (\$67.18m), a rise of almost 60 per cent.

The company's banking

arm also saw a strong rise in earnings, with first-half profits rising by 46 per cent to HK\$150m on the back of loan growth and improved spreads between prime lending rates and money market rates.

First Pacific Davies, the group's real estate arm, saw profits fall by 41 per cent to US\$7.9m as the division was hit by a reduction in disposals. This was offset by a strong performance in property services, including a 19 per cent rise in the contribution from Guardforce.

The first half result was achieved on turnover of HK\$24.77bn, a rise of almost 45 per cent. First Pacific declared an interim dividend of 9 cents, compared with 7.5 cents for the comparable period.



Pressure on margins prompts 11% fall in Amcor profits

By Nikki Tait in Sydney

Fluctuating paper prices and lower levels of business activity in its home market have led Amcor, the Australian paper and packaging group, to post an 11.6 per cent fall in after-tax profits in the year to end-June, at A\$55m (US\$21m).

The result follows sales down from A\$6.5bn to A\$6.42bn, and translates into a slightly larger fall

in earnings per share, at 56.6 cents (fully-diluted) compared with last time's 65.5 cents.

The figures are struck before abnormal charges. These declined during the year, to A\$17.2m, compared with last year's A\$42.9m, leaving Amcor's bottom-line profit 5.8 per cent lower at A\$38.8m.

The company said the figures were slightly distorted by the "deconsolidation" of the Spicers

Paper unit, as Amcor's holding in the group reduced. Adjusted for this, sales were up by about 11 per cent, although profits after tax and before abnormal items were still 10 per cent lower.

The company said the "combination of unrelenting pressure on margins in the Australian and New Zealand packaging businesses and the lower overall level of business activity in Australia added up to a

very difficult trading environment".

On the containers packaging side, sales were 23.6 per cent higher, but pre-interest profits fell 1.9 per cent. Fibre packaging saw a 7.1 per cent sales gain, but earnings fell sharply by 18.6 per cent, to A\$129.9m, with the German Helder unit making a further loss.

The Amcor Paper Group fared strongly in the first half-year, and

managed to hold on to a small profit gain - up from A\$236.6m to A\$241.4m - in the 12 months. The merchandising and trading activities posted a 33 per cent drop in profits, at A\$21.3m, hurt by the fall in paper prices in the second half.

The company said the difficult trading conditions had continued into the current financial year. Amcor shares closed 12 cents lower at A\$7.62.

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CURRENCIES AND MONEY

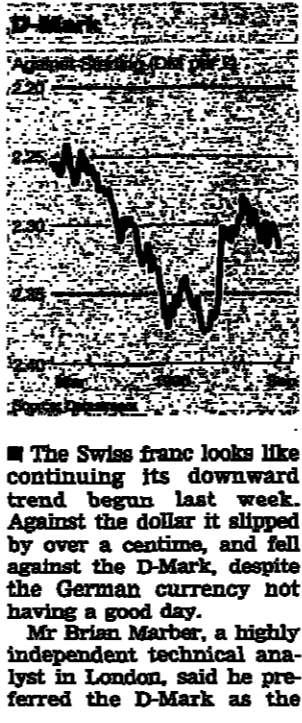
MARKETS REPORT

Rise of US dollar fuelled by oil price worries

By Richard Adams

Concern over increased world oil prices and expectations of a rise in US interest rates led to a rise in the US dollar against the D-Mark and the yen in the foreign currency markets yesterday. Traders in London said investors were looking to buy dollars, after tension between Iraq and the United Nations ended a proposal for Iraq to swap oil for aid. October futures for international benchmark crude oil jumped by over \$1 a barrel. The dollar's rise was also aided by the groundswell appearing among analysts that the Federal Reserve is now more likely to raise interest rates at its next monetary policy meeting on 24 September.

Mr Otmaz Issing, the Bundesbank's chief economist, said the central bank's last repo rate cut on August 23 had sent a clear signal to the markets. Speaking at a financial seminar in Zurich yesterday, Mr Issing said: "We have stated clearly for the foreseeable future." "With this clear step we are signalling that the level has been reached." Bundesbank-watchers in London were divided over how to interpret his comments, although most thought he had appeared to rule out interest rate cuts in the near future. Mr Issing also confirmed Germany's gross domestic product improved in the second quarter. "The second quarter should come out clearly better than the first. That was to be expected," he said. Second quarter GDP figures are to be released on Thursday.



The Swiss franc looks like continuing its downward trend begun last week. Against the dollar it slipped by over a cent, and fell against the D-Mark, despite the German currency not having a good day. Mr Brian Marber, a highly independent technical analyst in London, said he preferred the D-Mark as the more solid currency against the Swiss franc in the long term. "The Swiss central bank continued its policy of talking down the franc yesterday. Mr Hans Meyer, the president of the Swiss National Bank, told a Swiss newspaper that the bank was concerned about franc's strength in the face of a weak domestic economy. But the SNB was also aware that it did not have the ability to force a completely different development, he added. "Bold intervention would be coupled with big risks. However, we are trying to smooth out the exchange rate swings," he said. "That 'smoothing' saw the SNB provide generous liquidity through currency swaps to the market yesterday, in what analysts called a signal that the central bank is willing to ease its monetary policy."

Yesterday saw the government of Ukraine replace its old currency, the karbovanets, with the new hryvnia. The hryvnia (pronounced hree-vnyah) was fixed at 1.76 to the US dollar at its debut on the Ukraine interbank currency exchange, without bank intervention. With inflation running at 0.1 per cent in June and July, and the karbovanets stable at around 176,000 against the dollar, the government felt confident enough to undertake currency reform. In 1994 the karbovanets devalued so quickly that one state company recycled its worthless small denominations into toilet paper.

POUND SPOT FORWARD AGAINST THE POUND

Table with columns: Sep 2, Closing mid-pc, Change on day, Bid/offer spread, Day's high/low, One month rate, Three months rate, One year rate, Bank of England rate. Rows include Australia, Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, UK, and various Asian and Latin American currencies.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Table with columns: Sep 2, Closing mid-pc, Change on day, Bid/offer spread, Day's high/low, One month rate, Three months rate, One year rate, JP Morgan rate. Rows include Australia, Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, UK, and various Asian and Latin American currencies.

EURO CURRENCY INTEREST RATES

Table with columns: Sep 2, Short term, 7 days notice, One month, Three months, Six months, One year. Rows include Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, UK, and various Asian and Latin American currencies.

WORLD INTEREST RATES

Table with columns: Money Rates, LIBOR FT London, LIBOR FT London, LIBOR FT London, LIBOR FT London. Rows include various international interest rates for different currencies and terms.

CROSS RATES AND DERIVATIVES

Table with columns: Sep 2, Bid, Offer, DM, L, FI, Nkr, Ets, Pta, Sfr, Sfr, F, C\$, S, Y, Esc. Rows include various cross-currency rates and derivatives.

UK INTEREST RATES

Table with columns: Sep 2, Over-night, 7 days, One month, Three months, Six months, One year. Rows include UK interest rates for various terms.

EUROPEAN CURRENCY UNIT RATES

Table with columns: Sep 2, Ecu rate, Rate against Ecu, Change on day, % +/- from 1 week, % spread, Div. Rows include European currency unit rates for various currencies.

BASE LENDING RATES

Table with columns: Bank, Rate, % Net/Hedgebank, % Net/Hedgebank. Rows include base lending rates for various banks.

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Advertisement for FT Discovery, featuring a fisherman and the text 'Fed up with fishing for business information? The instant way to hook the information you need.'

Advertisement for Bradford & Bingley, featuring 'Woolwich - Building Society - \$40,000,000 Series 47 Floating rate notes due May 2000'.

Advertisement for Obayashi Finance International (Netherlands) B.V., featuring 'Floating Rate Notes due 1997'.

Advertisement for SmithKline Beecham PLC, featuring 'Floating Rate Unsecured Loan Stock 1999/2010'.

Advertisement for Banque Indosuez, featuring 'U.S. \$200,000,000 Floating Rate Notes due 1997'.

Advertisement for City Index, featuring 'Spread Betting on Over Equity Markets'.

Advertisement for Fast Fills, Low Rates, featuring 'LIFE-WALDOCK & COMPANY'.

Advertisement for Britannia, featuring '\$25,000,000 Floating rate notes due May 2000'.

Advertisement for JP Morgan, featuring 'Notice of Partial Redemption'.

Advertisement for JP Morgan, featuring 'JP Morgan'.

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COMMODITIES AND AGRICULTURE

Copper prices lower after roller-coaster ride

By Kenneth Gooding, Mining Correspondent

The London Metal Exchange copper price has very rarely been as volatile as it was yesterday. Copper for delivery in three months raced up in early trading to \$2,155 a tonne, its highest level for 2 1/2 months. Then the price came tumbling down and in late trading it was \$2,026, down \$13 from Friday's afternoon close.

this caused some complaints that, as options were supposed to be a small part of the market, they were having undue influence and it was a case of "the tail wagging the dog". However, Mr Wiktor Bielski, analyst at Bain & Co, part of Deutsche Morgan Grenfell, pointed out: "Copper is now a financial market, not just a commodity market. Futures and options are now the biggest part of the market and financial institutions determine the price."

investment funds. Volumes were thin in the early pre-market and this exaggerated the move. The 10 per cent jump in price in only two trading days encouraged some profit-taking and there was also options related selling that helped to push the price back down again.

Quebec announces nickel find

By Robert Gibbons in Montreal

The Quebec government announced yesterday that its geologists had made an important nickel-copper-cobalt find about 60 miles north-east of Sept Iles, the Lower St Lawrence river on one shipping port. It has banned all staking temporarily in a 700 sq km area surrounding the find while exploration continues.

Deal reached on wool stockpile sales

By Nikki Tait in Sydney

Australia's federal government and the country's wool growers have agreed to reduce significantly the amount of wool that must be sold out of Australia's long standing wool stockpile each quarter, from the beginning of next year.

urging a final date for the sale and delivery of all stockpile wool of December 31, 2000. The agreement, struck at a meeting between growers, brokers and Mr John Anderson, the federal primary industries minister - will now go to federal cabinet for approval and the require legislative changes.

the fixed release schedule has come under fierce attack from Australia's financially pressed growers, who claim that WI is pushing large amounts of wool into a falling market and thus compounding price declines. They have also argued that WI's policy of selling forward at a discount to spot prices has been detrimental to price recovery.

Australia accounts for about 30 per cent of world wool production, and the product represents the country's third largest export category. Meanwhile, talks between Mr Tim Fischer, federal trade minister, and Madam Wu Yi, China's foreign trade minister, have failed to secure any further wool tariff reductions on China's, although Mr Fischer, who is in the country on a trade mission, said that there was scope for resolving some technical obstacles, which could lift export sales.

Iceland smelter talks enter final stages

Iceland is in the final stages of negotiations on a possible second aluminium smelter, reports Reuters from Stockholm.

Mr Gardar Ingvarsson, managing director of the Icelandic Energy Marketing Agency, said yesterday talks with Columbia Ventures Corporation of the US had continued in earnest in August and he would travel to New York this week for further discussions.

No announcement has yet been made on whether the US group has chosen Iceland or Venezuela as the site of a 60,000-tonnes-a-year smelter.

Smuggling threatens Pakistani tea trade

Farhan Bokhari on a problem that has been exacerbated by a rise in duties

neighbouring Iran and Afghanistan, across Pakistan's rugged and mountainous northern border. The association says smugglers spend only 20 per cent in additional costs, giving them an 87 per cent price advantage over legitimate

Wool prices fared better in 1996 than other textile fibres, breaking the trend seen since 1994, the International Wool Secretariat said in its monthly market briefing, reports Reuters from Sydney. This had been particularly so for fine wool.

with retail sales in the first half of 1996 growing at about 14 per cent year-on-year on an inflation-adjusted basis. Exports of wool textiles and clothing, however, fell in the first half of 1996.

raw wool and tops imports fell by 9 per cent in the first seven months of 1996 compared with a year earlier. Imports from Australia were up by 15 per cent but those from Uruguay, South Africa and the former Soviet Union were all down.

London cocoa 'squeeze' fails

A major trader yesterday had to take virtually all the 215,200 tonnes of cocoa delivered on the London Commodity Exchange after an attempt to squeeze the market failed, analysts said, reports Reuters.

It is an attempt to squeeze which didn't work because they underestimated the size of the crop and they underestimated the strength of other commodity traders," said a dealer. "They never thought there would be enough cocoa that could be put on the market and they've been proved wrong."

claim that vigilance has been stepped up along the borders. In addition, the number of items allowed under a transit trade agreement with land-locked Afghanistan, which permitted Afghan traders to import goods through Pakistan without paying any duties, have been reduced.

Traders are considering a unilateral two-month moratorium on importing tea to put pressure on the government

importers. It estimates that up to 25m kg of tea was smuggled in to the country during the last financial year (July 1995-June 96), a figure that it says will certainly rise this year.

ever, that the smuggling continues to flourish, largely because of widespread corruption in official circles. Besides, continued warfare in Afghanistan makes it impossible for any government in that country to honour new trade arrangements

Cotton area declines

The world cotton area declined in 1996-97 even though international prices were higher than historic averages, the International Cotton Advisory Committee said in its monthly report, reports Reuters from Washington.

It estimated the harvested area at 33m hectares in 1996-97, growing to 34m in 1997-98, but down from over 38m in 1995-96.

Reductions in cotton area occurred primarily because of competition with food crops, it said. The ICAC projected the 1996-97 average Cotlook A index at 75 cents a pound, compared with 86 cents in 1995-96 and a long-term average of 73 cents.

Mr Ilyas Ahmed Bilour, President of the Federation of Pakistan Chambers of Commerce and Industry, the country's highest body representing business, says: "You have to go at least for two months, don't import a single penny-worth of tea. Let the smugglers import the whole tea and then government will come to know that there is no more revenue from the tea business".

But businessmen like Mr Khawaja are convinced that his association will not have to take any such measures. Business volumes are already down, though the association is still waiting to compare the fall in revenues during the first quarter after the budget compared to last year's trends. He warns: "The future of the tea business is very dark. More than 50 per cent of the business will go to smugglers by the end of the year if there's no change in policy".

Tea is among the many luxury goods and commodities that are smuggled into the country across mountainous passes along Pakistan's North-West Frontier province, which borders Afghanistan, and the province of Baluchistan, which borders both Iran and Afghanistan.

Tea traders insist, however, that the agreement was often abused by the Afghan traders and many of the duty free goods taken in to Afghanistan were almost immediately returned to Pakistan through mountain caravans, without payment of duties.

such as the recent trimming down of the list of goods allowed for import. Heads of armed bands in different parts of Afghanistan defy the directives of their government from time to time, especially in matters such as support for smuggling, for which big pay-offs are made. In one recent case, traders claimed that in July alone, up to 285 containers of Kenyan loose tea were off-loaded at the Iranian port of Bandar Abbas, for onward transportation to Pakistan via Afghanistan.

agreement to the smugglers. Some businessmen have advised the tea importers unilaterally to call a two-month moratorium on importing tea to put pressure on the government, and to make officials realise that smugglers would take over what is otherwise a legitimate business.

It is estimated the harvested area at 33m hectares in 1996-97, growing to 34m in 1997-98, but down from over 38m in 1995-96.

COMMODITIES PRICES

Table with columns for Base Metals, Precious Metals, Energy, and Softs. Includes sub-sections like LONDON METAL EXCHANGE, GOLD, SILVER, and CRUDE OIL.

Table with columns for Grains and Oil Seeds, Softs continued, and LONDON SPOT MARKETS. Includes sub-sections like WHEAT, SOYBEAN, and CRUDE OIL.

Table with columns for LONDON TRADED OPTIONS and LONDON SPOT MARKETS. Includes sub-sections like ALUMINIUM, COPPER, and CRUDE OIL.

Table with columns for LONDON SPOT MARKETS. Includes sub-sections like CRUDE OIL, FUEL OIL, and NATURAL GAS.

Table with columns for LONDON SPOT MARKETS. Includes sub-sections like RUBBER, SUGAR, and COFFEE.

Table with columns for LONDON SPOT MARKETS. Includes sub-sections like CRUDE OIL, FUEL OIL, and NATURAL GAS.

Table with columns for LONDON SPOT MARKETS. Includes sub-sections like CRUDE OIL, FUEL OIL, and NATURAL GAS.

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CROSSWORD No. 9,163 Set by CINCINNUS. Includes a crossword puzzle grid and a list of clues for both Across and Down directions.

FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 1773) 873 4376 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Table listing Bermuda funds including Lloyds Bank Money Market Fund Ltd, Lloyds Bank Global Money Market Fund Ltd, etc.

BERMUDA (REGULATED)

Table listing Bermuda regulated funds including Advertiser Capital Management Ltd, Advertiser Global Fund, etc.

IRELAND (SIB RECOGNISED)

Table listing Ireland (SIB recognized) funds including Lloyds Bank Money Market Fund Ltd, etc.

IRELAND (SIB RECOGNISED)

Table listing Ireland (SIB regulated) funds including Advertiser Capital Management Ltd, etc.

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IRELAND (REGULATED)

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IRELAND (REGULATED)

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ISLE OF MAN (SIB RECOGNISED)

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GUERNSEY (SIB RECOGNISED)

Table listing Guernsey (SIB recognized) funds including Advertiser Capital Management Ltd, etc.

GUERNSEY (SIB RECOGNISED)

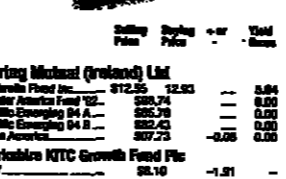
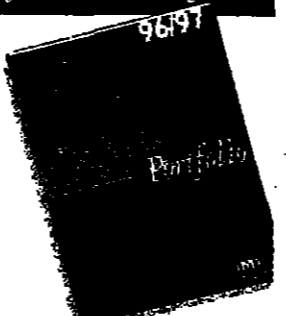
Table listing Guernsey (SIB recognized) funds including Advertiser Capital Management Ltd, etc.

GUERNSEY (SIB RECOGNISED)

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IMD executive programs have one of the best PIE ratios. You might find it your best investment yet. Send for your Program Portfolio today.

IMD, International Institute for Management Development. 23 Ch. de Bellevue, PO Box 193. CH-1001 Lausanne, Switzerland. Tel: +41 21 618 03 12.



Handwritten Arabic text: "سبتمبر 2005"

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (44-171) 873 4578 for more details.

Table listing various offshore funds and insurance products, including Royal Bank of Scotland, FT Cityline, and others, with columns for fund name, price, and other details.

Table listing LUXEMBOURG (REGULATED) funds, including various international and domestic investment funds, with columns for fund name, price, and other details.

Table listing OFFSHORE INSURANCES, including various life and general insurance policies, with columns for insurer name, policy details, and other information.

AM Official 2125-34, Kerk code 2025-25, Open Int. 200,527, Total daily turnover 92,257

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FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (444 171) 873 4378 for more details.

Table with columns: Fund Name, Price, Change, etc. Includes funds like Alpha Fund Management Ltd, Crest Asset Management Corporation, and Global Asset Management - Cont'd.

Table with columns: Fund Name, Price, Change, etc. Includes funds like Global Asset Management - Cont'd, Global Asset Management - Cont'd, and Global Asset Management - Cont'd.

Table with columns: Fund Name, Price, Change, etc. Includes funds like Global Asset Management - Cont'd, Global Asset Management - Cont'd, and Global Asset Management - Cont'd.

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FAX PAYS DIVIDENDS. RICOH ISDN Fax. Freephone 0800 303050

OTHER OFFSHORE FUNDS

Table listing various offshore funds with columns for fund name, price, and change.

MANAGED FUNDS NOTES: Information regarding fund management, risks, and other details.

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LONDON SHARE SERVICE

Offshore FT City

Vertical text on the far left edge of the page, possibly a page number or column identifier.

ALCOHOLIC BEVERAGES

Table listing companies in the Alcoholic Beverages sector with columns for company name, price, and change.

BANKS, MERCHANT

Table listing companies in the Banks and Merchant sector.

BANKS, RETAIL

Table listing companies in the Banks and Retail sector.

BREWERS, PUBS & REST

Table listing companies in the Breweries, Pubs & Restaurants sector.

BUILDING & CONSTRUCTION

Table listing companies in the Building & Construction sector.

BUILDING MATS. & MERCHANTS

Table listing companies in the Building Materials & Merchants sector.

CHEMICALS

Table listing companies in the Chemicals sector.

CHEMICALS - Cont.

Continuation of Chemicals sector table.

DISTRIBUTORS

Table listing companies in the Distributors sector.

DIVERSIFIED INDUSTRIALS

Table listing companies in the Diversified Industrials sector.

ELECTRICITY

Table listing companies in the Electricity sector.

ELECTRONIC & ELECTRICAL EQPT

Table listing companies in the Electronic & Electrical Equipment sector.

ENGINEERING, VEHICLES

Table listing companies in the Engineering and Vehicles sector.

EXTRACTIVE INDUSTRIES

Table listing companies in the Extractive Industries sector.

FOOD PRODUCERS

Table listing companies in the Food Producers sector.

HOUSEHOLD GOODS

Table listing companies in the Household Goods sector.

INVESTMENT TRUSTS

Table listing companies in the Investment Trusts sector.

INVESTMENT TRUSTS SPLIT CAPITAL

Table listing split capital investment trusts.

ELECTRONIC & ELECTRICAL EQPT - Cont.

Continuation of Electronic & Electrical Equipment sector table.

ENGINEERING

Table listing companies in the Engineering sector.

EXTRACTIVE INDUSTRIES - Cont.

Continuation of Extractive Industries sector table.

FOOD PRODUCERS

Table listing companies in the Food Producers sector.

HOUSEHOLD GOODS - Cont.

Continuation of Household Goods sector table.

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EXTRACTIVE INDUSTRIES - Cont.

Continuation of Extractive Industries sector table.

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Continuation of Household Goods sector table.

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Oracle advertisement featuring the text 'In a word, ORACLE The authority on a complete solution to effective company car finance and management.' and contact information for ACL.

ENGINEERING - Cont.

Continuation of Engineering sector table.

ENGINEERING, VEHICLES

Table listing companies in the Engineering and Vehicles sector.

EXTRACTIVE INDUSTRIES

Table listing companies in the Extractive Industries sector.

FOOD PRODUCERS - Cont.

Continuation of Food Producers sector table.

GAS DISTRIBUTION

Table listing companies in the Gas Distribution sector.

HEALTH CARE

Table listing companies in the Health Care sector.

HOUSEHOLD GOODS

Table listing companies in the Household Goods sector.

FOOD PRODUCERS - Cont.

Continuation of Food Producers sector table.

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HOUSEHOLD GOODS - Cont.

Continuation of Household Goods sector table.

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INVESTMENT TRUSTS SPLIT CAPITAL

Table listing split capital investment trusts.

INVESTMENT TRUSTS

Table listing companies in the Investment Trusts sector.

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RIV TRUSTS SPLIT CAPITAL - Cont.

Table listing various investment trusts and their performance metrics, including names like 'Riverside' and 'Riverside Income'.

LEISURE & HOTELS - Cont.

Table listing companies in the Leisure & Hotels sector, such as 'Hilton Hotels' and 'Holiday Inn'.

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PAPER, PACKAGING & PRINTING

Table listing companies in the Paper, Packaging & Printing sector, such as 'Wiggins Teape'.

Table listing companies in the Paper, Packaging & Printing sector, such as 'Wiggins Teape'.

PROPERTY - Cont.

Table listing companies in the Property sector, such as 'British Land'.

Table listing companies in the Property sector, such as 'British Land'.

TELECOMMUNICATIONS

Table listing companies in the Telecommunications sector, such as 'British Telecommunications'.

Table listing companies in the Telecommunications sector, such as 'British Telecommunications'.

AM - Cont.

Table listing companies in the AM sector, such as 'American Express'.

Table listing companies in the AM sector, such as 'American Express'.

OTHER INVESTMENT TRUSTS

Table listing other investment trusts, such as 'Investment Trusts'.

INVESTMENT COMPANIES

Table listing investment companies, such as 'Investment Companies'.

OIL EXPLORATION & PRODUCTION

Table listing companies in the Oil Exploration & Production sector, such as 'BP'.

OIL INTEGRATED

Table listing companies in the Oil Integrated sector, such as 'BP'.

OTHER FINANCIAL

Table listing other financial companies, such as 'Financial Companies'.

Advertisement for Merseyside Workforce, featuring the text 'OUR MERSEYSIDE WORKFORCE IS ENERGETIC, WITH POSITIVE IDEAS FLYING AROUND THE PLANT. THEY ARE EXCELLENT TEAMPLAYERS' and contact information for Roger Clifford.

PROPERTY - Cont.

Table listing companies in the Property sector, such as 'British Land'.

SUPPORT SERVICES

Table listing companies in the Support Services sector, such as 'Support Services'.

WATER

Table listing companies in the Water sector, such as 'Water Companies'.

TRANSPORT

Table listing companies in the Transport sector, such as 'Transport Companies'.

TOBACCO

Table listing companies in the Tobacco sector, such as 'Tobacco Companies'.

AMERICANS

Table listing American companies, such as 'American Companies'.

CANADIANS

Table listing Canadian companies, such as 'Canadian Companies'.

SOUTH AFRICANS

Table listing South African companies, such as 'South African Companies'.

GUIDE TO LONDON SHARE SERVICE

Guide to London Share Service, detailing the service provided by FT and its terms of use.

LEISURE & HOTELS

Table listing companies in the Leisure & Hotels sector, such as 'Hilton Hotels'.

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Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Sep 2/Fri)

Table of Austrian stock market data including company names, prices, and changes.

GERMANY (Sep 2/Fri)

Table of German stock market data including company names, prices, and changes.

FRANCE (Sep 2/Fri)

Table of French stock market data including company names, prices, and changes.

ITALY (Sep 2/Fri)

Table of Italian stock market data including company names, prices, and changes.

NETHERLANDS (Sep 2/Fri)

Table of Dutch stock market data including company names, prices, and changes.

SPAIN (Sep 2/Fri)

Table of Spanish stock market data including company names, prices, and changes.

SWITZERLAND (Sep 2/Fri)

Table of Swiss stock market data including company names, prices, and changes.

UNITED KINGDOM (Sep 2/Fri)

Table of UK stock market data including company names, prices, and changes.

FINLAND (Sep 2/Fri)

Table of Finnish stock market data including company names, prices, and changes.

ASIA

HONG KONG (Sep 2/Fri)

Table of Hong Kong stock market data including company names, prices, and changes.

INDONESIA (Sep 2/Fri)

Table of Indonesian stock market data including company names, prices, and changes.

JAPAN (Sep 2/Fri)

Table of Japanese stock market data including company names, prices, and changes.

KOREA (Sep 2/Fri)

Table of South Korean stock market data including company names, prices, and changes.

TAIWAN (Sep 2/Fri)

Table of Taiwanese stock market data including company names, prices, and changes.

THAILAND (Sep 2/Fri)

Table of Thai stock market data including company names, prices, and changes.

PHILIPPINES (Sep 2/Fri)

Table of Philippine stock market data including company names, prices, and changes.

INDONESIA (Sep 2/Fri)

Table of Indonesian stock market data including company names, prices, and changes.

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AMERICA

USA (Sep 2/Fri)

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AFRICA

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Advertisement for Rockwell Automatic Call Distributor (ACD) technology, which handles high volume in-coming calls, was pioneered by Rockwell.

INDICES

Table of global stock indices including Argentina, Australia, Canada, France, Germany, Hong Kong, India, Japan, Korea, Taiwan, Thailand, Philippines, Indonesia, Malaysia, Singapore, South Africa, and UK.

US INDICES

Table of US stock indices including Dow Jones, S & P 500, NYSE, NASDAQ, and various sector indices.

ASIA

Table of Asian stock indices including Hong Kong, Japan, Korea, Taiwan, Thailand, Philippines, and Indonesia.

AFRICA

Table of African stock indices including South Africa and other regional markets.

INDEX FUTURES

Table of index futures contracts for various markets including S&P 500, Dow Jones, and others.

US INDEX FUTURES

Table of US index futures contracts including S&P 500, Dow Jones, and others.

ASIA INDEX FUTURES

Table of Asian index futures contracts including Hong Kong, Japan, Korea, Taiwan, Thailand, Philippines, and Indonesia.

AFRICA INDEX FUTURES

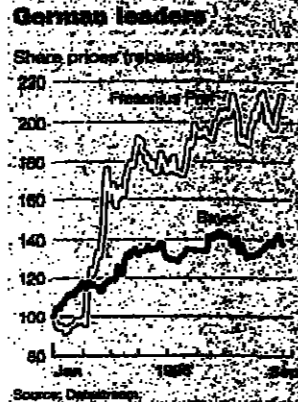
Table of African index futures contracts including South Africa and other regional markets.

Small print containing legal disclaimers, copyright information, and contact details for the publisher.

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Top cyclicals lead German Dax stocks

Boyer, BASF and Hoechst, the "big three" chemical stocks, led German blue chip share price gains...



In August, carmakers started coming through more strongly than before, Volkswagen rising by 10 per cent against a Dax 30 gain of 2.2 per cent...

Profits have been good; but the Frankfurt market has also been converted to the cult of shareholder value...

Wall Street and Toronto were closed for the Labor Day holiday.

January/August blue chip charts with a gain of 27.5 per cent. Hoechst joined the club with its Marion Merrell Dow drugs acquisition...

There have been casualties. Allianz, Germany's biggest insurer, fell 5.7 per cent over the eight-month period...

As the two biggest Dax 30 constituents, Allianz and Siemens have suffered from the impending DM15bn flotation...

Mexico City edges higher

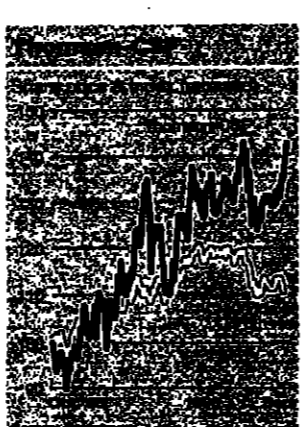
The US holiday made for subdued activity in Latin America. MEXICO CITY edged higher with activity seen in Telcel X shares...

jumped 4.6 per cent. The IPC index was 5.99 higher at mid-session at 3,311.46.

EUROPE

Oil sector, Thomson-CSF lift Paris bourse

A strong performance by the oil sector and a rise of more than 5 per cent by the consumer and defence electronics combine, Thomson-CSF, lifted PARIS after five straight days of decline.



At the close, the CAC-40 was 6.37 ahead at 1,976.98 in turnover of FF2.3bn, around half the daily average.

Thomson-CSF soared as takeover speculation was revived by the news that Alcatel Alsthom was discussing a merger of its CSE-CAlsthom joint venture with Framatome.

Euro Disney put on FF20.55 to FF212 after press reports had suggested the company was on track for a second annual profit.

ASIA PACIFIC

Earnings worries prompt Nikkei to edge lower

Tokyo

The dollar's rise against the yen supported exporting companies, but fears of downward earnings revisions among blue chip manufacturers left the Nikkei average marginally lower.

The 225 index fell 58.78 to 20,107.11 after moving 3.25 to an all-time high of 20,929.10. The Topix index of all first section stocks lost 3.82 at 1,839.67 and the Nikkei 300 shed 0.43 at 287.04.

Volume totalled 206m shares against 381.4m. With the absence of orders from the US due to the Labor Day weekend, most investors refrained from trading.

Y2,610 and Mazda Motor losing Y1 to Y300. Reports that prosecutors were setting up a task force to look into massive losses at Sumitomo Corporation...

Green Cross which specialises in blood products, fell Y5 to Y445 after the drug maker announced that its earnings had been hit by involvement in an HIV scandal...

The Iraqi attack on the Kurdish city of Arbil in northern Iraq helped oil distributors and refiners. Nippon Oil rose Y7 to Y672, Japan Energy gained Y8 to Y380 and Cosmo Oil edged Y14 to Y644.

In Osaka, the OSE average fell 31.56 to 21,272.57 in volume of 46.9m shares.

Roundup

Subdued sentiment ahead of August inflation figures, which came after the market closed, left BANGKOK 1.5 per cent lower in thin trade. The SET index, negative all day, ended 16.09 down at 1,066.32.

S Africa industrials ahead

The overall index was 45.8 stronger at 6,735.0, industrials rose 76.2 to 7,911.8 and golds added 12.4 to 1,500.0. Liberty Life gained 150 cents to R133.

and the SMI index finished 8.4 higher at 3,654.7. Ciba rose SF26 to SF1,540 and Sanofi SF18 to SF1,446 as CS Research recommended overweighing the Novartis partners on their higher than expected sales in the first half of the year.

Winterthur eased SF2 to SF793 as it unveiled a joint venture with the UK's Skipton Building Society in a move designed to make the Swiss insurer a major player in the mortgage services area.

MILAN was gloomy after GDP figures last week, which indicated that the economy was slowing more than expected.

ZURICH was lifted by a strong showing in the pharmaceutical sector

FT-SE Actuarial Share Indices

Table with columns for Share Change, Open, High, Low, Close and rows for various FT-SE indices.

THE EUROPEAN SERIES

Table with columns for Share Change, Open, High, Low, Close and rows for European market indices.

lost L150 to L12,200 and Alcanza was L147 weaker at L11,777.

MADRID survived a big day for results with the broad market flat in low volume, the general index closing 0.14 higher at 354.45 in turnover almost halved at Pt43.5bn.

HELSINKI was weak in subdued trade and the Hex index lost 10.82 to 2,133.75. Ontokumpu fell FM3.40 to FM1.10 after the metals and mining group released a

profits warning, saying that its May to August result would clearly be weaker than its January to April profit, and that the full year 1996 profits would be significantly lower than in 1995.

Bank Roswoju Export lost 2 zlotys to 82 zlotys in a correction after its recent gains.

BUDAPEST registered a second successive record high, the Bux index rising 100.71 or 2.3 per cent to 3,574.85.

active foreign buying. KUALA LUMPUR gave back all Friday's gains on profit-taking, and the composite index finished 12.37 weaker at 1,106.20.

SEOUL ran into profit-taking after the sharp rises at the end of last week and analysts forecast further volatility until the government announced scheduled steps to expand the foreign share holders' ceiling to 30 per cent.

BOMBAY was higher on hopes that the finance minister would offer incentives to retail and institutional investors in a debate today on the federal budget for 1996/97.

Wanted and edited by William Cochrane, Michael Morgan and Jeffrey Brown

MARKETS IN PERSPECTIVE table showing % change in local currency and % change in US \$ 1 for various countries.

FT/SE ACTUARIES WORLD INDICES

Large table showing FT/SE Actuaries World Indices with columns for Regional Markets, US Dollar Index, and various stock indices.

Advertisement for ADI Corporation featuring 'The Leading Edge in Asia Pacific' and '1.5 per cent. Convertible Bonds due 2003'. Includes contact information for Jardine Fleming and Bankers Trust International PLC.

Handwritten Arabic text at the bottom of the page.

Germany, Italy and Spain urged to agree £40bn development programme

Britain gives Eurofighter the go-ahead

By Bernard Gray at Farnborough

The UK is ready to proceed with the £40bn (£62bn) Eurofighter programme...

said yesterday that production of the aircraft would secure 14,000 aerospace jobs in Britain.



Cleared for take off: Michael Heseltine gives Eurofighter the thumbs-up at Farnborough

faces as we get out of the cockpit," he said.

now been resolved, and the Eurofighter was performing extremely well in trials.

year. This investment in plant and tooling will cost £4bn - £1.5bn of which will be spent by the UK.

Scottish scientists urged to 'sell' ideas

By James Buxton in Edinburgh

Businesses and universities are being urged to rectify Scotland's poor record in commercialising its scientific discoveries.

Scotland is considered to have a particularly strong scientific base. It comes third, after Israel and Switzerland, and above the US and Germany...

UK NEWS DIGEST

Privatisation plan cost £114m

Restructuring to make AEA Technology attractive to investors will have cost the government more than half the £200m (£312m) it hopes to raise from the flotation of the engineering and science group...

SUMITOMO AFFAIR

Winchester closes metals business

Winchester Commodities, which is closing its brokerage or metals operations, is the first victim of the Sumitomo scandal and the turbulence in the global copper market...

NORTHERN IRELAND

Call to bar extremists from talks

Mainstream pro-British "loyalist" politicians in Northern Ireland yesterday stepped up pressure on the UK government to bar extreme Protestant anti-nationalists from peace talks...

Cable channels probed over 'bundling'

By Raymond Snoddy

The Independent Television Commission has launched a wide-ranging investigation into the "bundling" of cable television channels to see whether the practice is anti-competitive.

The world of the television chief expanded yesterday with the launch of what is claimed to be Europe's first dedicated food channel...

Carlton Food Network will broadcast daily on cable only from 12 noon to 5pm with demonstrations from top chefs on how to cook a delicious dinner in 30 minutes or a family meal for £10 (\$15.60).

Next month Granada Media launches a raft of special interest channels devoted to such areas as motoring, health and beauty and food and drink.

general therefore proposes to take no further action on this issue," the OFT said in July.

The launch of the channel - the second cable channel to be launched by Carlton Communications - is a further sign that channels are being created that are the television equivalent of glossy magazines.

which is available for no extra charge to those subscribers who take two premium film channels.

The ITC will soon be consulting the main parties and hopes to make a decision before the end of the year.

Disney was happy to have its channel marketed as a "bonus" channel as a way of introducing it to the UK market.

Advertisement for C.A.T. (Construction & Allied Trades) featuring the slogan 'UPWARDS IS THE ONLY WAY.' and a large image of a construction site.

Labour party 'protectionism' attacked

By David Wighton, Political Correspondent

The opposition Labour party is on a collision course with British business organisations over its call for the introduction of a "social clause" in all international trade agreements.

In its industry policy document, due to be published this month, the party will ignore the advice of the Confederation of British Industry - the UK's largest employers' lobby - which opposes the use of trade

sanctions to enforce minimum social standards.

Linking trade and labour standards is opposed by most developing countries, which claim that it amounts to covert protectionism. But it has support among trade unions worldwide. The governing Conservative party rejects the idea of a social clause.

Labour's commitment, formulated by Mr Robin Cook, the party's foreign spokesman, appears in its forthcoming industry policy document. The paper argues that

"there is a moral aspect to international trade" and backs the proposed social clause. "Labour in government will support this clause, while ensuring that it is not used to deny developing countries their comparative advantage, nor to introduce covert protectionism", says the party's paper.

It also fiercely attacks the British government's attitude. "Scandalously, weighed down with dogma, the Conservatives have steadfastly refused to join countries such as the United States and France

in supporting such a clause."

But Labour's proposal appears to go far beyond the US and France which have merely called for a discussion of the issue within the World Trade Organisation.

The UK government's opposition is strongly backed by the CBI which argues that the introduction of a social clause would damage the interests of developing countries. "The CBI is against the idea mainly because we do not believe that the threat of trade sanctions is the appropriate way to improve liv-

ing conditions anywhere," said an official.

Labour said the clause would be designed to prevent the abuse of human rights, by outlawing prison and forced labour and child exploitation. But critics see it as an attempt by the west to impose its values on developing countries while denying them the access to world markets they need to raise living and working standards.

The issue is expected to prove divisive at December's World Trade Organisation conference.

City property revival shuns boom-bust view

By Simon London, Property Correspondent

Property developers are stirring back to life in the City of London, and activity in the five-year high.

However, there is a fear that rising rents are encouraging a new wave of speculative building which will flood the market with unwanted offices and lead to another crash in rents and values. But most observers believe the conditions which sparked the last boom-bust City cycle have changed.

Mr Michael Freeman, joint managing director of Argent, the development company, said: "I would be very very surprised if there is overbuilding of City offices over the next two to three years."

The City was the epicentre of the 1980s property boom and subsequent crash. The 1986 deregulation of London's financial markets -

Big Bang - sparked a period of expansion for many City companies. The Corporation of London, the City's local authority, encouraged developers to press ahead with large buildings by relaxing its planning regulations. By 1992 top rents had fallen back to their lowest level for a decade.

In this context the recent revival is modest. Property values have increased by between 15 per cent and 20 per cent over the past three years, supported by an influx of overseas investment led by German property funds.

Top rents are back up to about the same level as in 1985 in nominal terms - although most buildings command far less. The corporation estimates that about 315,000 sq m of offices are under construction.

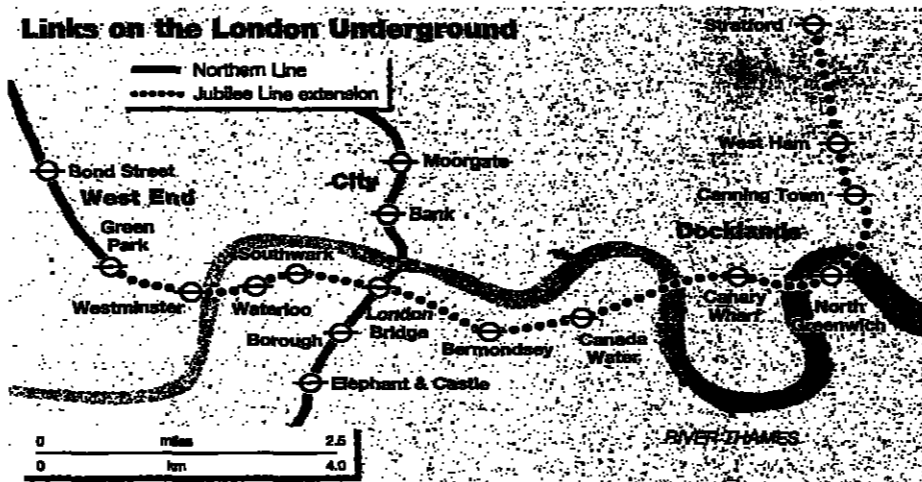
Moreover, speculative development remains at a relatively low level. Many of

the big new offices now under construction are being built by banks for their own occupation. Deutsche Morgan Grenfell and ABN Amro are building investment banking headquarters in the City.

This relative scarcity of speculative development is mainly due to financiers' caution. Equity investors are backing only a few speculative schemes in central locations.

Mr Chris Strickland, development director of Greycoat, the UK property company, said: "Today banks will not advance more than 50 per cent of the finished value of a speculative development. In the 1980s loan-to-value ratios were as high as 80 per cent."

Large property companies have access to sufficient finance to press ahead with developments in spite of the cautious attitude of banks. But many smaller develop-



ers will be unable to start work on speculative developments unless the banks adopt more relaxed lending policies.

Mr David Hunter, head of property investment at Scottish Amicable Investment Managers, which is financing one of the City's largest speculative schemes, said:

"The attitude of banks is the key to this development cycle. At the moment they are taking a cautious view, which means that there is no

more than a healthy level of development in the City."

There are two main reasons for the cautious approach being adopted by lenders.

First, banks lost hundreds of millions of pounds in the early 1990s when property values crashed.

The second reason for caution is that demand for office space is more difficult to predict than in the aftermath of Big Bang. A handful of financial services organisa-

tions - including Merrill Lynch, the US investment bank, and Liffe, the financial futures and options exchange - is looking for large London headquarters. But there is no guarantee that these organisations will opt for the City.

Citibank recently decided to build its headquarters at Canary Wharf in Docklands and Banque Paribas is building its headquarters in Marylebone, in the West End.

Docklands development stages a comeback

By Simon London

Canary Wharf, the big development in London's Docklands district which went into administration in 1992, is staging a recovery.

Citibank of the US last week selected the Canary Wharf site for its new UK headquarters. The 45,000 sq m block will be the first new building erected since Canary

Wharf collapsed financially four years ago. The existing 405,000 sq m of offices at Canary Wharf is 80 per cent let, with only one whole building and the upper floors of the main tower still available. When BZW, the investment banking arm of Barclays Bank, moves in next year 18,000 people will work there.

The belated success of Canary Wharf as a business location is

partly due to improvements in transport infrastructure.

"It used to feel like working on a desert island. Now you can whip through the tunnel in a cab and be in the City within 15 minutes," said one tenant. An extension to the London Underground's railway is scheduled to open in March 1998.

But transport is not the whole story behind the revival of Canary

Wharf. The strong appetite of investment banks for big modern buildings has also played its part.

Canary Wharf was the brainchild of Mr Archibald Cox, then chairman of Morgan Stanley International, and Mr Michael Vose Clemm, chairman of Credit Suisse First Boston. In 1984 they realised that Docklands could provide big trading floors more cheaply than the City. More than a decade later

this basic intuition holds true.

Canary Wharf boasts buildings with floors of more than 5,000 sq m. This capacity was a vital factor in attracting tenants such as Citibank and BZW.

"Even in an electronic age traders want to see each other and be able to yell at one another," said Mr Robert Metzler, head of equities at Morgan Stanley, one of Canary Wharf's first tenants.

UK ECONOMICS DIGEST

Factory output figures jump

The gloom surrounding UK industry lifted further yesterday after manufacturers reported the biggest rise in factory output and orders since March last year. The latest monthly survey by the Chartered Institute of Purchasing and Supply provided a boost for the Conservative government's hope of fighting the election next year against a backdrop of widespread economic growth. It showed that consumer demand was now driving a steady recovery in manufacturing after weak orders and a build-up of stocks pushed industry into recession late last year.

The institute said its purchasing managers' index was a seasonally adjusted 51.8 last month. A reading above 50 denotes an increase in activity. This was the third successive monthly increase.

The picture of buoyant consumer-led growth was reinforced by separate figures yesterday which showed that the amount of notes and coins circulating in the economy grew last month at the fastest rate since December 1988. This suggests that the pick-up in retail sales continues to gather momentum. *Graham Bowley*

SOCCER

Euro 96 gives economy a kick

Increased retail sales and tourism income during Euro 96, the European soccer championships hosted by England in June, gave an extra boost to Britain's economy, research released yesterday shows.

A report by HSBC Markets in London estimates that Britain's annual gross domestic product grew by an additional 0.1 per cent during the competition, thanks to increased spending and activity. "This might not sound like much, but it would mean that Euro 96 was responsible for a quarter of the total 0.4 per cent expansion of GDP between the first quarter and second quarter [of this year]," said Mr Jonathan Loyens of HSBC.

Mr Loyens found that supermarket sales of lager rose by 55 per cent in the week before June 15, when England was knocked out of the tournament by Germany. Figures from Domino Pizzas' 101 home delivery outlets showed their sales jumped by 88 per cent on the day of the England-Germany semi-final match. *Richard Adams*

OIL INDUSTRY

Output expectations lowered

Oil output this year from the UK sector of the North Sea will be lower than expected, according to industry consultants Wood Mackenzie. Delays in the start-up of four new fields and prolonged maintenance at several others resulted in average first half production of 2.53m barrels a day, down 3 per cent on the 1995 average, but 1 per cent higher than for the first half of last year. Wood Mackenzie has revised downward its estimate for average production this year by 110,000 b/d to 2.8m b/d. *Robert Corzine*

RESEARCH AND DEVELOPMENT

Spending increases by 3.7%

Government, private companies and universities spent £14.6bn (£22.77bn) in cash terms on research and development in 1994, up from £13.8bn in 1993. The Office for National Statistics said this represented an increase of 3.7 per cent in real terms. *Graham Bowley*

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World Wide Fund For Nature (formerly World Wildlife Fund) International Secretariat, 1196 Gland, Switzerland.

Handwritten Arabic text: "مركز الأحياء المائية"

ARTS

Wonky huts and a few holes

William Packer finds 'tame' installations at London galleries

The Serpentine Gallery is to close soon for substantial internal remodeling and extension, though a programme of sculpture will continue on the lawns outside. To mark this climactic, Richard Wilson, an installation sculptor, was given carte blanche to do what he would with the gallery, unconstrained by considerations of repair and reinstatement for any show to follow. What thrilling mayhem there was in prospect. And how tame it is in the event. How carefully his interventions are, how well-manicured his cuts and slices, how fashionably correct his avant-garde mise-en-scène. There is nothing here, not even a whiff, of his roomful of sump oil, with its sunken ramp, disorienting reflections and real sense of danger, that still excites us at the Saatchi Gallery. There is not even a pile of dust. Here is simply another Serpentine show of art at the "cutting edge" of modern practice. What we have are three freshly-painted work-site cabins, a number of carefully-cut holes and the plugs of material that once filled them, and a fork-lift truck. In one gallery, a hut, perched on its extendable legs, is tilted up towards the ceiling. In another,



What you get is what you see - one of Richard Wilson's work-site cabins at the Serpentine

not satisfied with just revealing that there are physical spaces that are hidden... Wilson attempts to provide the space for a perceptual experience that might itself be put out of reach. The object might exist, believable, immediate and tangible but, as soon as that is grasped, the image leads the beholder elsewhere... We see a space that has had its boundaries physically transgressed and yet the image our senses hold on to is one framed by a belief in material truth. So now you know. But such mere and obscure assertion is never enough. What you actually get here is what you see, a green workman's hut swung into a hole from a fork-lift truck. Wilson's working drawings for this and other recent projects are concurrently on show at Gimpel Fils, on a wooden wall that cuts arbitrarily through the entire gallery. Tacita Dean is another who clearly believes that to assert is to achieve, and that she has only to engage with a subject or an idea to invest her response with cosmic significance. Her installation at the Tate's Art Now workshop space consists of a video and soundtrack, a dubbing chart on the wall, and a tape machine that, like Ol' Man River, just keeps rolling along. The Foley Artists of her title are those unsung heroes of stage, screen and radio who supply the deficiencies of nature and digital technology alike, when it comes to sound effects - the clip-clop of coconut shells, the thunder of corrugated iron, that sort of thing. Their ingenuity is famous, and Miss Dean's documentary tribute to them harmless enough were it to end at that. But this is the Tate, and this no tribute at all but a patronising appropriation in the name of art. For Miss Dean is an artist and this, in the jargon of current art-speak, her latest art-work. And so she shows her Foley mechanicals setting about the mysteries of their craft in their formidably cluttered studio. The tape they serve has several tracks, cross-cut and overlaid, upon which frag-

Theatre Beatrix Potter revealed

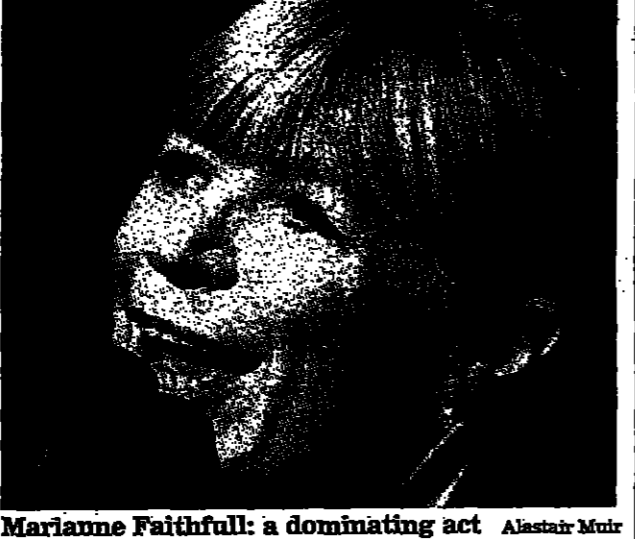
Beatrix Potter wrote two stories, 18 tales, one called Tailor Gloucester and two collections of nursery rhymes: Appley Dappley's and Cecily Parsley's. Jemima Puddleduck and the cryptically named Pigling Bland, all dressed up in quaint Edwardian clothing, are just two of the characters that have cosily introduced many children this century to a world of fanciful reality. Patrick Garland and Judy Taylor's Beatrix, a solo vehicle for Patricia Routledge at Chichester's Minerva Studio, shows Potter in her farmhouse in the Lake District, mixing her life story with selections from her writings. In the first half, she is a no-nonsense 69-year-old. In the second, she is in her last years in her 70s, mob-capped and aproned - like Mrs Tigglewinkle. We know she was an illustrator as well as story-teller, and it is no surprise that her first commissions were for greetings cards, appealing to the tastes of twee Victorians. Her tales, on the other hand, portray a streak of nasty, moral despotism; mischief-makers who challenge authority receive a violent come-uppance, like Squirrel Nutkin and Peter Rabbit; rats salivate over "kitten-dumping, roly-poly pudding"; a frog munches "a butterfly sandwich" - is this the stench of a fevered, late Victorian imagination? Potter herself asks darkly: "I wonder what made me spin such spiders' webs?"

Garland and Taylor sycophantically squash such psycho analysis while making indulgent passing reference to Potter's "sorrows of yesterday": her forlorn loss of the man she loved, her subsequent "satisfactory" marriage at 47 to counter "the miserable feeling of loneliness", her domineering parents. So, without meaning to, Taylor and Garland (who also directs) reveal a blighted depth to this stubborn writer. Moreover, the pretext for the extended monologue is psychological rather than theatrical. "I talk to myself," admits a self-conscious, self-aflicting Potter. Routledge rarely looks us in the eye, preferring to gaze up to the rafters, or dart glances across the floor. It is misjudged - both unengaging, and at odds with Routledge's performing confidence. Potter retreated to write in the Lake District in 1906 and ploughed her fortune into a flock of herdwick sheep. When she died in 1943 she had 4,000 acres and 15 farms. We are told she wrote in code as a child: we see her decipher her teenage journals. When she shows us a picture of a pig-couple looking at a vista of her own farm, she denies it is a portrait of her and her (satisfactory) husband.

Simon Reade Chichester's Minerva Studio Theatre until September 14.

Concert / Antony Thorncroft Faithfull mesmerises all

The transformation is complete: Marianne Faithfull has totally vanquished the image of the poppette and assumed the new persona of chanteuse. When she smiles the years still make way for the fragile flower child, but in the main her performance is that of a dominating proper madame. Still very blonde at 49, provocatively buxom in cut-away black she prowls the stage, taming a mesmerised audience with a look. She has found her level, wrapping her new tour, which started at the Almeida on Thursday, as "An evening in the Weimar Republic", or rather the songs of Brecht and Weill. There are obvious links between Faithfull's scarred life as a heavy drug user and drinker, and the decadent night world of Berlin bars of the 1920s. Faithfull's voice, too, an impressive witness to all the vices, gives just the right weary melancholy to songs of disillusioned artists and drifters. The problem is that it is all one paced: one "Surabaya Johnny" is like another "Pirate Jenny". When she puts them into context, describing how Brecht and Weill composed the haunting "Ballad of the Soldier's Wife" while walking the beach at Santa Monica and brooding on the Battle of Stalingrad, they have relevance; but too many immersions into Teu-



Marianne Faithfull: a dominating act

tonic angst assume the mantle of a dirge. It hardly matters. This is as much a happening as a concert. We have come to observe Ms Faithfull, to hear her anecdotes of Harry Nielsen's funeral, to thrill as she lights up on stage and consumes a colourless liquid which looks like water. When she lights up on the continental political expressionism, as in her encore the biting "She moves through the fairs", the mood is more celebratory. Ms Faithfull has a remarkable voice, attractively vulnerable at times but seething with experience. It seems happier on the mordant songs, like Coward's early 1920s dismissal of the modern age, "Twentieth Century Blues", but she has an inner calm and power that could give a twist to all the standards. But for all its potential power her music remains secondary. The evening is dominated by Ms Faithfull's aloof personality; you feel that you are house guests who have not quite come up to expectation. It is a strange chemistry between artist and fans, perhaps one not unknown to her celebrated ancestor Baron von Sacher-Masoch, pioneer of sadomasochism, strange, but not unpleasant.

Contrasting styles of three gurus fascinate

Andrew Clark on the glorious Proms

Three authentic gurus took to the podium of the Royal Albert Hall at the weekend, underlining the huge diversity of style and interpretative approach in the field of historically-aware performance. On Friday Roger Norrington conducted the London Philharmonic in a programme of 20th century English music, but with an historically-aware platform arrangement - cellos in the body of the orchestra, double-basses elevated at the back. Sunday afternoon brought Frans Brüggen and his period-instrument Orchestra of the Eighteenth Century in the evening the Chamber Orchestra of Europe under Nikolaus Harnoncourt combined modern strings, rationed vibrato and valveless trumpets. The results were altogether fascinating. Brüggen and Harnoncourt provided the starkest comparison. Both focused on Viennese classics, but Brüggen added a subtle byzantine, a composer for whom Harnoncourt seems to have a blind spot. Brüggen, severe and undemonstrative, presents the music with a minimum of interference, develop-

ing smooth lines and textures, and generally acting as a catalyst for corporate musicianship. In Harnoncourt's performance the conductor is the dominating intelligence. The sound is fierce and bright, contrapuntal voices take precedence over melodic lines, and the music emerges in sudden, emphatic gestures. One of Rameau's least-known opera-ballets, Les Fêtes d'Hébé, occupied the first half of Brüggen's concert. It proved a real discovery - in its choreographic suggestiveness and exotic colouring of flute, tambourine and musette (a type of windbag). Brüggen's linear, lyrical approach carried through to Haydn's "Drumroll" Symphony and Beethoven's Violin Concerto. The performances may not have cracked, but they had great integrity - particularly the concerto, in which Brüggen and Thomas Zehetmair found a true partnership of mind and style. Zehetmair wore his musician's hat lightly, refusing to inflate the solo line and lending even the faster passage-work a gossamer edge. Harnoncourt's performances of Mozart's "Frague" Symphony and Schubert's Ninth were typically perverse, all the more so for being despatched with such virtuosity by the COE. The Mozart sounded jagged and disturbing, the brass chords crashing through the symphonic argument in a fruitless search for Beethovenian drama. The singing lines of symphonies were heard in Elgar's Cockaigne, Vaughan Williams's Fifth Symphony and Nicholas Maw's Violin Concerto. The Vaughan Williams was unexpectedly successful: it is not a great symphony, but Norrington made it sound coherent and profound, managing the first movement's key transitions with masterly sleight-of-hand, and refusing to tarry in the Romanza. By contrast, Cockaigne was overly bombastic. In between came the Proms debut of Maw's three-year-old concerto. Its songfulness and consummate craftsmanship have already been well noted. What emerged in this performance was its sheer profusion of ideas, its unerring sense of instrumental balance, and the continuous thread sustaining the listener's interest over a 40-minute span. It is still a little too long - the last two movements could do with further pruning - but it remains a glorious affirmation of how to pursue Romantic tradition in contemporary form. As at the premiere, Joshua Bell proved a mesmerising advocate. The scope for interpretation is wide, and it is time others took up the cause.

Norrington's wide-ranging sympathies were heard in Elgar's Cockaigne

INTERNATIONAL ARTS GUIDE

- AMSTERDAM: Exhibition Museum Tel: 31-20-5732911... Concert: Philharmonie & Kammermusikkasael Tel: 49-30-2614933... Amsterdam Arena Tel: 31-20-3111333... BASEL: Exhibition Kunstmuseum Basel Tel: 41-61-2710228

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COMMENT & ANALYSIS



Martin Wolf

The power of politics

The Bank of England is right to be cautious about medium-term inflation, but the UK chancellor is looking for policies to win the next election

Ritual combat is an abiding element in British life. It can be seen in politics, where Her Majesty's government jousts against the loyal Opposition. It can be seen in the courts, where prosecution battles defence. It can be seen in the many sports the British have invented, from football to tennis. Now there is a new one - the procedure for making monetary policy.

armor. If one such dispute might be a misfortune and two carelessness, what should one conclude from three? That the chancellor is a politician facing election. Yet maybe Mr Clarke intends to achieve his inflation target of below 2% per cent, but disagrees on what needs to be done.

Research is forecasting a recovery of 4.2 per cent and Merrill Lynch of 4 per cent. Why might demand take off? With tax cuts of 1/4 per cent of personal income in last year's budget and more expected this November, real personal disposable income should rise steadily.

ment performance in the recovery of the 1990s compared with that of the 1980s was accounted for by the rise in inactivity - not by more employment, therefore, but by more people 'dropping' out of the labour force altogether. Thus, the falling unemployment exaggerates the tightening of the labour market.

to millions of grand-prix motor racing viewers, Frank Williams is the stone-faced team boss who always looks as if he has lost £1m and found £10. Even when his cars are scoring yet another of the victories which have made Williams the most successful team of the decade, he rarely smiles.

Frank Williams may be exacting but he pushes no-one harder than himself, says John Griffiths Manager firmly in the driving seat

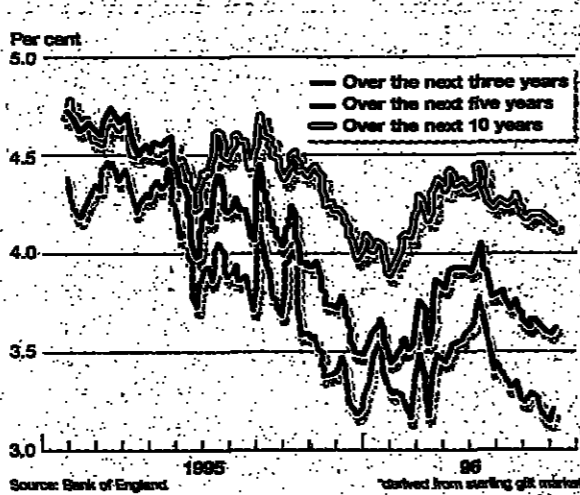


Frank Williams: pragmatist

He has a management style that reflects his demeanour. The 54-year-old Williams is an unrelentingly hard negotiator and strategist for whom life revolves almost entirely around the success of the enterprise he founded 28 years ago.

reflect the same surgical approach. The fabrication and carbon-fibre body moulding shops rival in cleanliness the studios where Patrick Head, technical director, has been designing and developing Williams' grand-prix single-seaters for 20 years.

The ups and downs of expected inflation



Financial Publishing

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World Loss Log
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The Global Insurance Market
European Insurance Law
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LETTERS TO THE EDITOR

Clean-up important for politics

From Mr S.K. Rao. Sir, In discussing the harmful effects of money-laundering, Stephanie Flanders, in her excellent report 'Cleaning up the global economy' (Economics Notebook, August 26), fails to mention one important aspect which makes it even more important to combat it. In a number of countries, illegal money-making activities have spawned criminal gangs and entrepreneurs of various shades with deep links to the political system. They have introduced criminality into political processes, and have undermined the value of legitimate work and genuine enterprises.

No life in high rise

From Mr Keith Westmore. Sir, These pleas for a 90-storey skyscraper at London's Baltic Exchange come near to social irresponsibility (Letters, August 21). One needs to think about the effect of a high rise on the relationships of people that have to live or work in one. It is 19 years since France's Peyrefitte committee drew attention to urban life's tendency to be more unstable in an environment of large blocks. Crime and fear of crime are directly associated with both the height of buildings and general size of a development. The reason is obvious to all - it is difficult to have real neighbours in and around high rises, and without a caring community there is no community. Phrases like 'stylish... modern... impressive from afar' sound a warning bell. Considerations of architectural and civic sanity should not prevail over the need to create places where people can function as people.

Nothing mythical about tax cut view

From Mr Arthur M. Shatz. Sir, Philip Stephens ('Reborn as a New Democrat', August 30) quite wrongly states that: 'The Reagan years exploded the myth that cutting the tax rates is the way to raise revenues.' Even the most superficial examination of US tax revenues shows that they increased after the tax cuts. The deficit ballooned because inflation-adjusted entitlement programmes and the defence build-up pushed expenditures faster than revenues increased. The fact that the Reagan administration was intellectually dishonest about its budgets does not change historical fact, nor does it give Mr Stephens licence to write science fiction when he is paid to write political commentary.

Downside of the financial superstores

From Mr John Donovan. Sir, The most recent investment debacle, Flemings ('The Jardine Fleming Affair', August 30), and the American row between The Securities and Exchange Commission and Nasdaq lead one to the inevitable conclusion that investors should place their investment funds only through agents who have no in-house funds or market-making divisions. All singing, all dancing, one-stop financial superstores are not for the benefit of the client. If the manager of your funds deals as a principal, do you really expect to get the best deal?

Commission going for political quick fix with Eco-label

From Mr S.G. Kay. Sir, Your article 'Eco-labelling plan upsets paper makers' (August 26) gives the distinct impression that by opposing the EU's Eco-label plans, paper manufacturers are not concerned about environmental improvement and performance. I have been involved in this issue for more than four years, the last two as chairman of an Eco-label working party representing the industry throughout the EU. The industry has invested considerable money, management and effort into real environmental improvements; it strongly supports environmental management and the EU's own Environmental Management and Audit System (Emas) which requires paper mills, after meeting stringent criteria on current operations, to commit to incremental improvement of environmental performance. Achievement of Emas, or the analogous BS7750 or ISO 14001 systems, takes time and substantial work, and is not achieved overnight. Unfortunately, the Commission has gone for the apparent quick fix with the Eco-label, no doubt to prove its political virility. The Eco-label as proposed is poorly based; it encourages no-one to improve their environmental performance: is costly and offers no incentive once quite arbitrary quotas are fulfilled. Consumers should not be fooled by such a spurious label. Real commitment to an improved performance by paper companies is demonstrated by their working towards, or achievement of Emas or BS7750; by clear and factual environmental reports prepared on a scientific and consistent basis and regularly published; and by investment in up-to-date technology to reduce or eliminate discharges to water, land and air. These are controlled in the UK by integrated pollution control; and will be in the future by the EU's integrated process and pollution control mechanism. The substance and myth of the EU's Eco-label as currently promulgated give paper manufacturers, sadly, no confidence in the results so far. Hence our opposition to it after long and tedious years of discussion and input to the process. S.G. Kay, group managing director, Inveresk House, 3 Pitcairnie Court, South Pitcairnie Business Park, Dunfermline, Fife KY11 5PU, UK

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COMMENT & ANALYSIS

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

Tuesday September 3 1996

The haven is no more

Whatever else emerges from the current confusion in and around northern Iraq, it is clear that western powers' pretensions to be maintaining a Kurdish 'safe haven'...

mass exodus of Kurds into Turkey is unlikely to repeat itself. So Turkey would have no interest in allowing western ground troops to go back into Iraq to protect Sulaimaniya, and even if it did those troops would presumably have to fight the KDP...

Bitter experience

If any state is likely to come to Mr Talabani's aid it is Iran, whose proximity to the area he controls gives it both opportunity and motive: it is Iran that would be likely to receive a new influx of refugees if Sulaimaniya fell, and Iran has learnt from bitter experience to fear and detest Saddam.

Mass exodus

But it was and is the KDP that controlled the area closest to the Turkish frontier, including the crossing point at Zakho. So long as the KDP remains on good terms with Baghdad the

Old Labour's to lose

No-one should be surprised that Mr Tony Blair has declared himself content to wear the label of a social democrat. Nor that his deputy Mr John Prescott prefers to style himself a democratic socialist. For all but a handful of students of the political left, the two expressions might be interchangeable.

Recent rumblings

So the Labour leader cannot ignore the recent rumblings of discontent within the shadow cabinet and the parliamentary Labour party. But nor must he concede to them.

Economic glow

Inflation has remained low, real incomes and consumer spending are rising, and the housing market is experiencing a modest upturn. Mr Kenneth Clarke, the chancellor, no doubt will conjure up a cut in income tax in his November Budget.

A time of living dangerously

Foreign businesses are continuing to invest in Indonesia despite concerns over Suharto's successor, says Manuela Saragosa

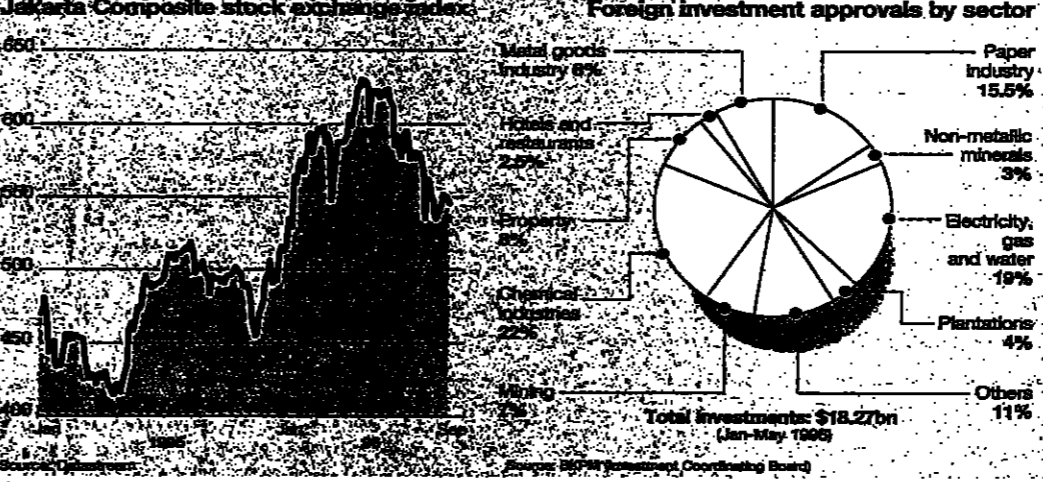
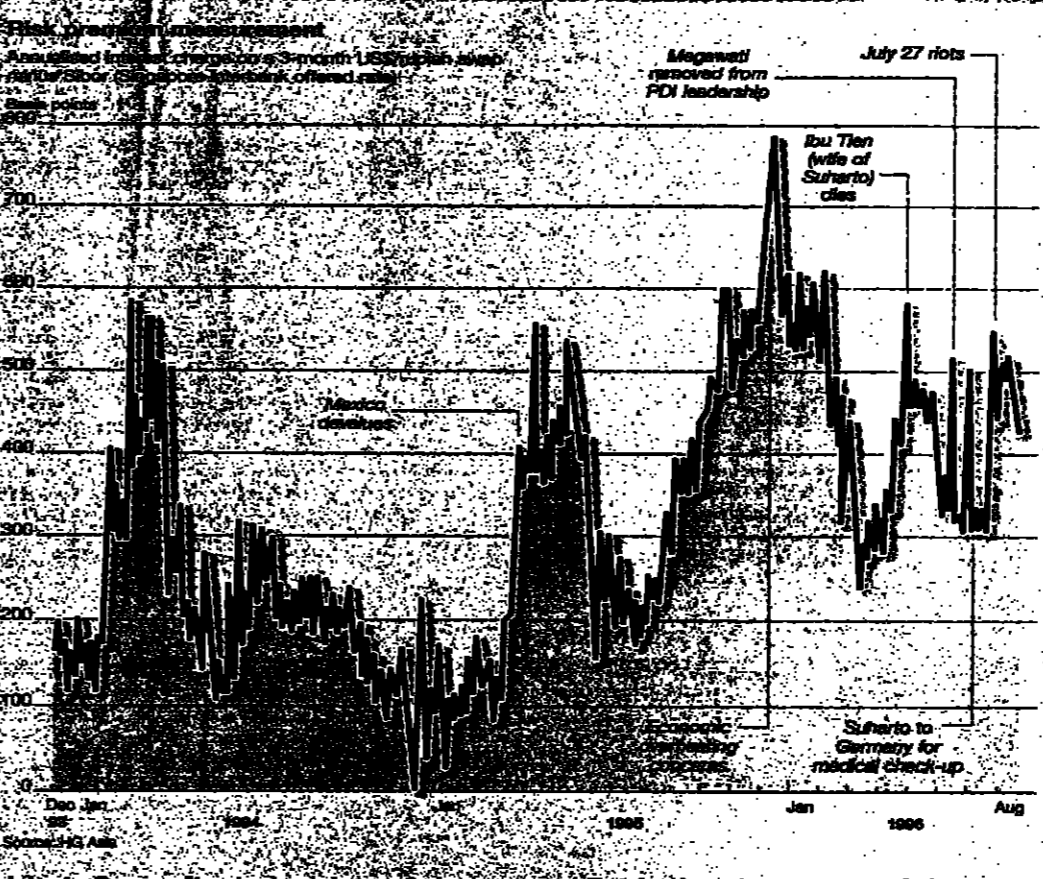
It was business as usual at the opening of a new Indonesian plant for the UK's Imperial Chemical Industries group last week. Struggling off recent political turmoil in the country, Mr Rob Margentz, an ICI executive director, said the occasion marked the beginning of much greater involvement by ICI in Indonesia.

But the rupiah, the Indonesian currency, is now trading back at the strong end of its government-determined band against the US dollar, and the equity market is staging a cautious recovery. Have Mr Suharto's assurances that 'political and economic stability have been restored' been enough to calm investors?

Many analysts believe the recent turmoil was simply a reminder of the political risk inherent in Indonesia's system of government. 'What [people] have just seen is a symptom of something, not a cause,' says Mr Charles Webb, the regional director for Control Risks Group, a political risk consultancy in Singapore.

This is of particular concern to Indonesia's ethnic Chinese, a minority often resented by other Indonesians for their disproportionate control of the country's wealth. Ethnic Chinese, who have benefited from close relationships with and protection from Mr Suharto, have been actively investing offshore in recent months.

Indonesia: uncertain times for investors



their stake in Lippo Bank, the group's flagship listed company. Equity analysts believe the moves will reduce the stake of the ethnic Chinese Riady family in Lippo Bank to nothing.

government, where the military retains an important role, contrasts sharply with the recent liberalisation of the economy. As Mr Sjahir, an Indonesian economist at the Institute for Economic and Financial Research in Jakarta, puts it: 'The problem is that while our economy is going global, our politics is still in the era of Jurassic Park.'

Of all the various measures of investors' confidence, it is the equity market that has been worst hit by the political uncertainty. The Jakarta Composite Index has dropped 13 per cent since the beginning of June, although the market has recently been staging a cautious comeback.

OBSERVER

Don't get too mad

As Jacques Delors, president of the European Commission, returns to Brussels with a report on the progress of the 1995-1999 multi-year financial perspective, he should be congratulated for his report.

Make a killing

Back in the UK, some of the interventionist Board - which is running the government's massacre programme for cattle aged over 90 months - must have spent the summer in a familiar hall of mirrors.

Don't get too mad

in 1995 along with Jacques Delors, the incoming president of the European Commission. He riles the DG's agricultural directorate with a report that also played a key role in resolving the dispute with the US over farm export subsidies.

Make a killing

The board has persuaded abattoirs to accept a cut in their fees from \$87.50 per animal to \$41, in order to reflect 'current commercial realities'. It says this new rate will save the taxpayer \$22m for the rest of this financial year and \$40m in subsequent years.

Don't get too mad

The crisis is designed to restore consumer confidence denied by the 1993 scare by removing from the food chain the animal products contaminated by the disease.

Don't get too mad

It was an unprovoked slip by the senatorial Schyman, 47, who successfully transferred the old pro-Moscow Swedish Communist party into a respectable democratic left party that has recently lured thousands of misaffected voters away from the ruling Social Democrats.

Don't get too mad

Left party's jump from a 6 per cent vote in the 1994 general election to opinion poll standings around 12 per cent. These had already been clouds gathering round her. She came under fire earlier this year for joining her teenage daughter at a rave party, at a Stockholm venue which police said was the scene of drug trafficking.

Don't get too mad

Crash landings That regular air show fixture - the slugging match between Boeing and Airbus Industrie - got off to a promising start yesterday at Farnborough in the UK.

the end of this year, and the government will want to avoid a repeat of the embarrassment surrounding the initial public offering last year of Telkom, the state-controlled domestic telecommunications company. The government was forced to cut the size and price of the offer after expected international demand failed to materialise.

The Indonesian rupiah's reaction to political developments, meanwhile, has been less dramatic than that of the stock market. HG Asia's currency-based risk measurement of Indonesia shows that jitters were far greater at the beginning of the year - when there were worries about economic overheating - than at any time since.

Some attribute the decline to concerns about Mr Suharto's future as well as to a string of economic policy decisions which have baffled foreign investors. These include a decision by Mr Suharto to award tax and tariff breaks to his youngest son, Mr Hutomo Mandala Putra, to develop a 'national car' in a move that leaves established investors in the automotive sector at a disadvantage.

Several foreign investors have made clear they are not about to change their position on Indonesia after the riots. ICI has plans to invest about \$200m in Indonesia over the next three years.

Nor does there seem to have been much lasting impact on the cost of funding for the Indonesian government. It issued \$400m in debt in the US two days before the riots, in a move designed to set a benchmark for Indonesian companies raising debt offshore.

In the immediate aftermath of the riots the yield rose on political fears, but has now stabilised relative to other bonds. However, the cost of financing individual projects - particularly those over five or 10 years which involve a member of the Suharto family or depend on the president's business associates - is expected to rise. It is investors who are in partnership with Mr Suharto's relatives and friends who are most exposed to a change in leadership.

Financial Times

100 years ago

Japanese Competition Apropos of Japanese competition in Eastern markets, our Consul at Osaka quotes some very unpleasant statements - unpleasant, at least, to English ears. In 1875 we are told that out of the total of yards imported into Hong Kong, China and Japan, those from this country formed 82 per cent. In 1894 they only formed 14.2 per cent and this was owing entirely to the competition of Japanese yards. It is however some consolation to know that wages are rapidly rising in Japan. These tendencies are likely to increase. On the other hand, with more ample machinery, increased transport facilities and greater technical knowledge Japan is likely to become year by year more formidable to us.

50 years ago

World Fund's First Task New York: Preliminary steps for putting the International Monetary Fund into operation are being prepared. M. Camille Gutt, managing director of the Fund, states that during September letters will go to all countries participating in the Fund seeking the information necessary for setting up par-values for their currencies. Each nation will be given 30 days to confer with Fund officials on whether the present rates should prevail.

LEGAL DEFINITIONS
 affidavit n. 1 agreeable Welsh farmer
 2 written statement produced in court
 which should be carefully drawn up, see
 ROWE & MANN (ph 0171-246 4282)

FINANCIAL TIMES

Tuesday September 3 1996

YKK
 More Than Just a Good Zipper...
 Our Advanced Architectural Products
 Are Changing The Face of The World.

Brussels offers talks on subsidy guidelines
 Compromise likely on
 E German aid to VW

By Wolfgang Münchau
 in Frankfurt
 The European Commission
 and German officials yesterday
 appeared ready to compromise
 in the dispute over the pay-
 ment of state aid to carmaker
 Volkswagen in eastern Ger-
 many.

the funds, has refused to com-
 ply with the commission's rul-
 ing, but is now understood to
 have offered a temporary sub-
 sidy freeze to avert imminent
 legal action. The commission
 will tomorrow discuss how to
 proceed and whether to seek
 an injunction in the European
 Court to force the carmaker to
 pay back the funds.

DM91m which Saxony has paid
 to VW despite the commis-
 sion's ruling."
 Mr Kurt Biedenkopf, prime
 minister of Saxony, yesterday
 welcomed Mr Santer's com-
 ments. He told German break-
 fast television: "I consider Mr
 Santer's framework for a solu-
 tion to be absolutely correct."

Ukraine's
 currency
 switch
 delights
 the locals

By Matthew Kuzniak in Kiev
 The old Kiev street vendor's
 eyes lit up when a customer
 paid for a pack of Marlboros
 with a new two-hryvna note.

THE LEX COLUMN

Flying high

Europe's aerospace industry,
 gathered this week at Britain's
 Farnborough air show, is in a
 dangerously self-congratulatory
 mood. Aircraft sales are rising, and
 the dollar is stable. This is, of course,
 good news in the short run. Both
 Germany's Daimler-Benz Aerospace
 and France's Aerospatiale, which
 have been bleeding red ink in
 recent years, are confidently pre-
 dicting profits in 1996. They may
 even return to the black next year.



be as affected by the chemicals
 cycle. There have been long periods
 where there was virtually no cor-
 relation between oil prices and oil
 shares. Nonetheless, the sector, par-
 ticularly E&P companies, offer sub-
 stantial value if current oil prices
 are sustained.

company's return on capital, com-
 pare it to its cost of capital and see
 whether the company is creating or
 destroying value.

AEA Technology
 Like a scientist's briefcase, AEA
 Technology is crammed with poten-
 tial. The engineering services
 group, whose £200m privatisation is
 being billed as this government's
 last, is best known for decommis-
 sioning the UK's nuclear reactors.

Arab states warn against
 military strike on Iraq

By Edward Mortimer
 in London and Gerard Baker
 in Tokyo
 Arab leaders warned against
 western military action in Iraq
 yesterday as US officials
 toured the Middle East canvass-
 ing options for a tough
 response to President Saddam
 Hussein's intervention in the
 Kurdish "safe haven".

whose leader Mr Massoud Barzani
 had appealed for Bagdad's help in a
 struggle with a
 rival Kurdish faction.

Moussa, Egyptian foreign min-
 ister, called for an end to the
 bloodshed in northern Iraq and
 respect for Iraq's sovereignty
 and territorial integrity.

Shareholder value

Daimler-Benz neatly encapsulates
 Germany's ambivalent attitude to
 the concept of shareholder value.

Oil

Iraqi president Saddam Hussein's
 role as the oil industry's best friend
 continues. Just as the United
 Nations' food-for-oil agreement
 was to add over 600,000 barrels
 of Iraqi oil per day to world supply,

Three Morgan Grenfell funds suspended

Continued from Page 1
 it investigated "possible irreg-
 ularities". It added that it
 would meet liabilities in
 respect of any irregularities
 identified.

The trustees of the two unit
 trusts involved is Royal Bank
 of Scotland. It said last night
 that it was not yet possible to
 say how much of the funds
 were affected.

had been in discussions with
 Morgan Grenfell over valua-
 tions of unlisted securities that
 it had provided.

3 September 1996. One Lime Street London EC3M 7HA.
 LLOYD'S
 LLOYD'S OF LONDON
 SETTLEMENT OFFER MADE
 ON 30 JULY 1996
 SETTLEMENT AGREEMENT
 DECLARED UNCONDITIONAL
 AS TO ACCEPTANCES
 Lloyd's announces that acceptances of the
 settlement offer have been received from 31,246
 Names, being approximately 91 per cent of Names to
 whom the settlement offer has been made.
 Accordingly, the Council of Lloyd's has resolved
 that sufficient acceptances of the settlement offer have
 been received to satisfy condition 2.1(a) to the
 Settlement Agreement and has declared the Settlement
 Agreement unconditional as to acceptances.
 The Council has agreed a final extension of the
 settlement offer to 12 noon (London time) on
 Wednesday, 11 September 1996.

FT WEATHER GUIDE
 Europe today
 It will be sunny over most of Europe
 as high pressure dominates from the
 British Isles across the Benelux
 towards Moscow. A weak frontal
 system will bring cloud and light rain
 over Scotland, East Anglia, Denmark
 and Finland.
 Low pressure west of Sardinia will
 promote thunderstorms over the
 western Mediterranean. There will be
 cloud and rain in Italy. Local
 thunderstorms are likely to develop
 over south-eastern Spain and
 around the Black Sea. Afternoon
 temperatures will reach 30C in
 Spain, Greece and Turkey.
 Five-day forecast
 There will be sunny spells over
 north-western Europe with
 temperatures just above 20C. An
 area of low pressure over the
 western Mediterranean will shift
 towards the Alps bringing frequent
 thunderstorms and rain to Italy, the
 Alps and southern France.

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